



Gebr. Heinemann
Gegründet 1879

Review Insights Outlook

Business Year 2018





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Dear Readers,

Despite this period of global political and economic instability, the Group achieved very solid sales growth this year and has once again benefited from our diversification. Chinese shoppers continue to be our most important customer base, not only in Europe, but also in Sydney and Kuala Lumpur. We have invested much time and effort in preparing for our opening at the world's future largest airport in Istanbul, and are very much looking forward to the big launch of operations there this year. We are also proud to have opened our new multi-brand concept for luxury brands in the Fashion & Accessories and Watches & Jewellery segments at Moscow Sheremetyevo Airport. Our path of long-term investment has proven to be the right one.

We have also seen this year that the European market is not as oversaturated as it is always said to be. There is still plenty more room! We plan to make further investments here, for example in larger shop spaces and innovative concepts at the airports. We want to take advantage of the opportunities.

Gebr. Heinemann values its close relationships with its customers, and this principle is now being passed on from the fourth to the fifth generation of the Heinemann family. For the first time, the fourth and fifth Heinemann generations are leading the company hand in hand, working together with the executive team to develop Gebr. Heinemann's future strategy, with high expectations for creating clearer structures.

We hope you enjoy reading our Annual Report.

Yours sincerely,



Claus Heinemann

Max Heinemann

Gunnar Heinemann

HELLO AND WELCOME

The year 2018: 12 powerful months offering a varied blend of exciting global topics for and at Gebr. Heinemann. We invite you to take the plunge and discover them in our Annual Report.



Lara Vitzthum, Head of Corporate Communications

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- III. Imprint

A group of six men in business attire are gathered around a large, dark wooden table in a modern office setting. They are focused on reviewing architectural plans and documents spread across the table. The men are dressed in suits and blazers, some with light blue shirts and others in darker shirts. The background features large windows and a brick wall, suggesting a contemporary office environment. The lighting is warm and focused on the workspace.

CORPORATE NEWS

GEBR. HEINEMANN STANDS FOR SOLID GROWTH AND STABILITY

An interview with the board members of Gebr. Heinemann

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For the first time, there are three owners from two generations of the Heinemann family around the table for the annual interview, including the first CEO in Gebr. Heinemann's 139-year history, Max Heinemann. What key events shaped the past year, what expectations does the executive team have for the biggest project in the firm's history – the world's largest Duty Free contract at Istanbul Airport – and how will the company change in 2019? Claus, Gunnar and Max Heinemann, Kay Spanger, Raoul Spanger and Stephan Ernst talk about plans, values and challenges.

How would you sum up the 2018 business year for Heinemann in one sentence?

Claus Heinemann: “In all my 39 years here at Heinemann, 2018 was the most difficult and stressful one I ever experienced. Which makes me all the happier that it proved satisfactory for us nonetheless.”

Why was 2018 so difficult for you?

Claus Heinemann: “On the one hand because I couldn't work with my cousin and partner Gunnar for five months at the start of the year, since he was seriously ill with a severe lung infection. But also because we found Turkey to be an economically and politically very volatile market. However, we were able to limit the financial risk to our company through our lengthy negotiations with Istanbul Airport, which I was very relieved about.”

Gunnar Heinemann: “I am happy to be back. It was a big help to me that my cousin Claus came to visit me in the hospital almost every day and brought me news from the company.”

Kay Spanger: “I found 2018 more challenging than ever before, in every area. At the same time, it was a good year since it saw Gebr. Heinemann

enter its fifth generation! This is a great sign for the company. I am delighted that we now have Max with us on the executive team and that the next generation is working with us to shape our future.”

Gunnar Heinemann: “That is indicative of the culture here at Heinemann. When a young man from the family joins the executive team, the executive directors make it clear every day just how much they will support him. That makes me very happy.”

Max Heinemann: “I would summarise 2018 as follows: With the new Istanbul Airport, we have acquired a business like nothing we have experienced before in the 139-year history of Gebr. Heinemann – in terms of the format, the size, at 53,000 square metres, and the unique centre management business model. Our ability to collaborate on the development of solutions for successfully concluding the project was constantly tested throughout the year. There were moments when we had to completely rethink things, and it was challenging for the entire team. For me personally, the generational shift after I started in Hamburg went smoothly, and I felt a great deal of trust. My first few months here have been a very positive experience.”

How does 2018 look from a financial perspective?

Stephan Ernst: “If you look at just the figures, it was a very normal year. As a whole, the Group again achieved very solid sales growth of 11.4 per cent over the previous year. Taking into account the background conditions we mentioned, we can still be very satisfied with this result, even if we cannot yet achieve our strategic objective.”

Kay Spanger: “We left our ‘familiar paths’ in Purchasing this year to respond to the increasingly competitive environment. For example, we had to do something three times this year that only happened twice in the past four decades at Heinemann: we removed suppliers and brands from the product range. Naturally we try to avoid

this, as we value long-term partnerships and try to compromise even when we have disagreements. But when things cannot be resolved, or when they completely contradict our expectations, it must be done. After all, our market is becoming increasingly competitive, so we must assert our strengths and set the tone.”



Claus Heinemann

Raoul Spanger: “Overall, we have once again benefited from the fact that we are very diversified. People from Asia have not visited Europe as much as in previous years, leading our Sydney location to benefit from excellent development. Our partnership in the company DFZ in Malaysia has continued its outstanding development of the past two years, in both the border shop and airport business. The investments we continued to make in Russia and Ukraine in previous, more difficult years are now starting to pay off as business is going much better there. Our path of long-term investment has proven to be the right one. We can act independently of a single channel or single market and balance out weaker developments across the regions in which we operate. In this regard, I would like to highlight the global cruise retail market. Our subsidiary in Miami will become

a global competence centre and spearhead the dynamic development of this channel going forward. Important contracts have already been concluded with Carnival Cruise Line (CCL) and Royal Caribbean (RCCL).”

What does the new business in Israel mean for Gebr. Heinemann?

Raoul Spanger: “Our joint venture in Tel Aviv is a good example of the diversification of Gebr. Heinemann’s retail activities. The location has developed very well in its first full year and is already one of our top three strongest retail locations. Or take our cruise ship retail business. The shipping companies are clearly starting to transition towards a ‘retail on board’ approach. We have had enquiries about operating shops on ships in

America, Europe and Asia. The passenger ship industry is booming and offers excellent opportunities for growth. Many cruise ships are currently being built all over the world. We want to take advantage of these opportunities as both a wholesaler and a retailer. The diversification of revenue and results is important to us.”

Which market development are you pleased about?

Kay Spanger: “Three or four years ago, we predicted that ‘Fine Food’ could become a top category for us and generate additional sales. We are now making around 40 million euros in revenue in Fine Food & Regionals each year and are very happy with this development. We now see it as an established category that we naturally want to continue developing, particularly with an eye on our international clientele and our differentiation of ourselves from both the domestic market and online offerings.”

Stephan Ernst: “Our company has many different pillars by now, and our group has a solid basis of regions and channels. In addition to our very robust distribution business, our many long-term contracts provide our company with great stability.”

Max Heinemann: “We are also seeing that the European market is not as oversaturated as it is always said to be. We still see a great deal of potential there. This influences our investments, for example in larger shop areas or innovative concepts at the airports.”

Gunnar Heinemann: “I am particularly pleased with how we have established ourselves in Asia. It was good for us to go there, and now we can reap the rewards. I still see it as an advantage when we generate organic growth and don’t have to buy our way into new markets. It keeps us agile and we preserve our cultural cohesion.”

The success in Asia is also a personal success for Max Heinemann. You’ve been in Hamburg since September, and are the first spokesperson for the executive team in the history of Gebr. Heinemann.

Max Heinemann: “I prepared myself thoroughly for this new role. Together with a core team, I concerned myself with the current company structures and analysed market conditions, potential growth, and our core competencies as a family business with short decision-making paths. All things considered, I think it’s unique that the fourth and fifth Heinemann generations can work together to develop the future strategy of our company. I’m enjoying a great symbiosis with the whole team that my father and uncle have built around themselves. There’s a lot of power there! The huge amount of experience both motivates and reassures me.”



Gunnar Heinemann



Stephan Ernst



Kay Spanger

Claus Heinemann: “Not only Max’s father but also his uncle is delighted to see a fifth-generation family member come in to carry on our values as a family company. My cousin and I are open to change and a new structure, despite our advanced age! The fourth and fifth generations are working hand in hand.”

Raoul Spanger: “The generational transition is a huge opportunity. Our company has achieved strong growth in our existing structures over many years. You don’t normally address organisational matters when everything’s going well. But when you reach a generational transition, you can look at it as a chance to consolidate your strengths. The unique thing is that we are working from a strong position. We want to take advantage of the experiences that Max Heinemann has gained from his work building up Heinemann Asia Pacific. In summer 2018, we decided to integrate retail and distribution activities on an executive team level. One concrete example of this is Russia and Ukraine. For us, this is without a doubt a retail business. But for historical reasons, we always had the two countries situated as a wholesale business within Distribution.”

Gunnar Heinemann: “Overall, it will be even more about creating interconnections within the organisation as a whole, establishing areas of responsibility, and integrating them into the corporate structure. Therefore we have also decided to have a CEO (Max Heinemann) at the top alongside the COO (Raoul Spanger), CCO (Kay Spanger) and CFO (Stephan Ernst).”

Stephan Ernst: “Over many months, we continuously got together as a full executive team to analyse the structures and processes in the various areas and departments, and to further develop and optimise them. This pragmatic approach fits Gebr. Heinemann precisely because we tackled the tasks early on and are now implementing them.”

Let’s go back to the operational side of the business. The company’s newest flagship location will be the new Istanbul Airport. How satisfied are you with it?

Claus Heinemann: “All departments of our company have been working very intensively on this project for more than two years. The recent developments in Turkey have made the process particularly challenging for Heinemann. Between the time that the contract was signed and today, the devaluation of the Turkish Lira and the associated banking and economic crises have led to renegotiations of the lease contract. Nevertheless we are convinced that the Istanbul location will be successful with its strong home carrier Turkish Airlines and its passenger capacity of 200 million in the second stage of expansion.”



Raoul Spanger



Max Heinemann

Istanbul is certainly also a key component of your plans for 2019...

Gunnar Heinemann: “We have always flourished by taking solid steps. This seems to be continuing with Istanbul. We expect our positive growth to continue in 2019, in the two-digit percentage range over the Group as a whole. Overall, Gebr. Heinemann will once again show stability in Europe, America and Asia.”

Raoul Spanger: “Turkey is the biggest project in the company’s history. I’m certain that Istanbul Airport will shape our work in all areas for the entire year. The main Duty Free shop in Zone 6 (Departures) was the first to open its doors on 10 January, and welcomed its first customers with bouquets of flowers. The traditional categories as well as regional products and fashion and accessories are displayed there over approximately 4,170 square metres.”

Max Heinemann: “We’re setting a benchmark for a clear business model. After all, this is the largest Duty Free contract in the world. We’re the first in the industry to take on the challenge of centre management on this scale.”

Kay Spanger: “We’re starting a whole new type of partnership. In future, we will be working with international luxury brands with whom we have never before collaborated, from the LVMH Group (Louis Vuitton, Dior etc.) and the Kering Group (Gucci etc.) to luxury watches from Richemont and the Swatch Group. The fact that Louis Vuitton and Dior will be represented at Istanbul Airport is a compliment to us and our partners. The Louis Vuitton brand has only been sold at three airports in the world up to now.”

What can your partners and customers expect of you this year?

Raoul Spanger: “That our roots will stay the same. Gebr. Heinemann values its close relationships with its customers, and this principle is being passed on from the fourth to the fifth generation of

the Heinemann family. This is particularly important as we are making changes to the structure of the company. Our close personal relationships with our partners will also continue to distinguish us!”

Looking further into the future: today, Gebr. Heinemann’s core business is the global travel retail market. Might we see the company explore new lines of business outside its current retail activities in future?

Claus Heinemann: “The travel market will remain our market in the long term! We are not looking at domestic markets since we’re convinced that tourist travel, for example by air and cruise ship, will continue to grow worldwide.”

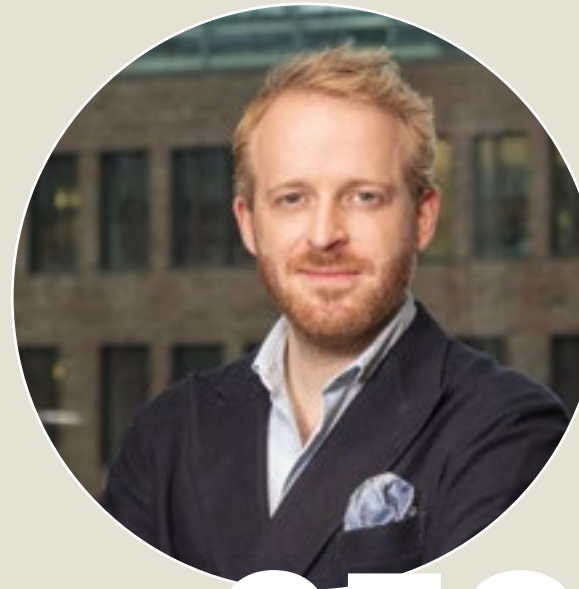
Raoul Spanger: “Over the past ten years, we have focused more on new regions than on new product ranges. I can see us looking more closely at new product ranges over the coming ten years.”

Max Heinemann: “Digitalisation is continuing to expand our physical POS (point of sale), particularly due to the changing way people communicate, social media being the keyword here. We might move more into the domestic market than before, contacting people with our messages along the travel chain, even before they actually arrive at the airport. But I also see great potential to win over more air travellers as customers than we do today.”

GEBR. HEINEMANN STARTS INTO THE FIFTH GENERATION

Regional structure announced to enable and strengthen global strategy

For the first time in its almost 140-year history, the globally active Duty Free company Gebr. Heinemann has a CEO: Max Heinemann, son of Co-owner Gunnar Heinemann, has taken over the role as Chief Executive Officer (CEO) of the Group and has become Speaker of the Executive Board, heading Gebr. Heinemann's worldwide activities. At the same time, the transition to the fifth family generation is taking place. Father Gunnar and uncle Claus Heinemann continue to form the Advisory Board of the family business. Raoul Spanger (Chief Operations Officer), Kay Spanger (Chief Commercial Officer) and Stephan Ernst (Chief Financial Officer) form the Executive Board together with Max Heinemann. On the occasion of the new management structure (C-structure) the entire corporate structure is further developed. The goal: Gebr. Heinemann wants to work even closer to the market, even faster and more efficiently.



CEO
Chief Executive Officer
Max Heinemann



COO
Chief Operations Officer
Raoul Spanger



CCO
Chief Commercial Officer
Kay Spanger



CFO
Chief Financial Officer
Stephan Ernst



Advisory Board

Claus Heinemann



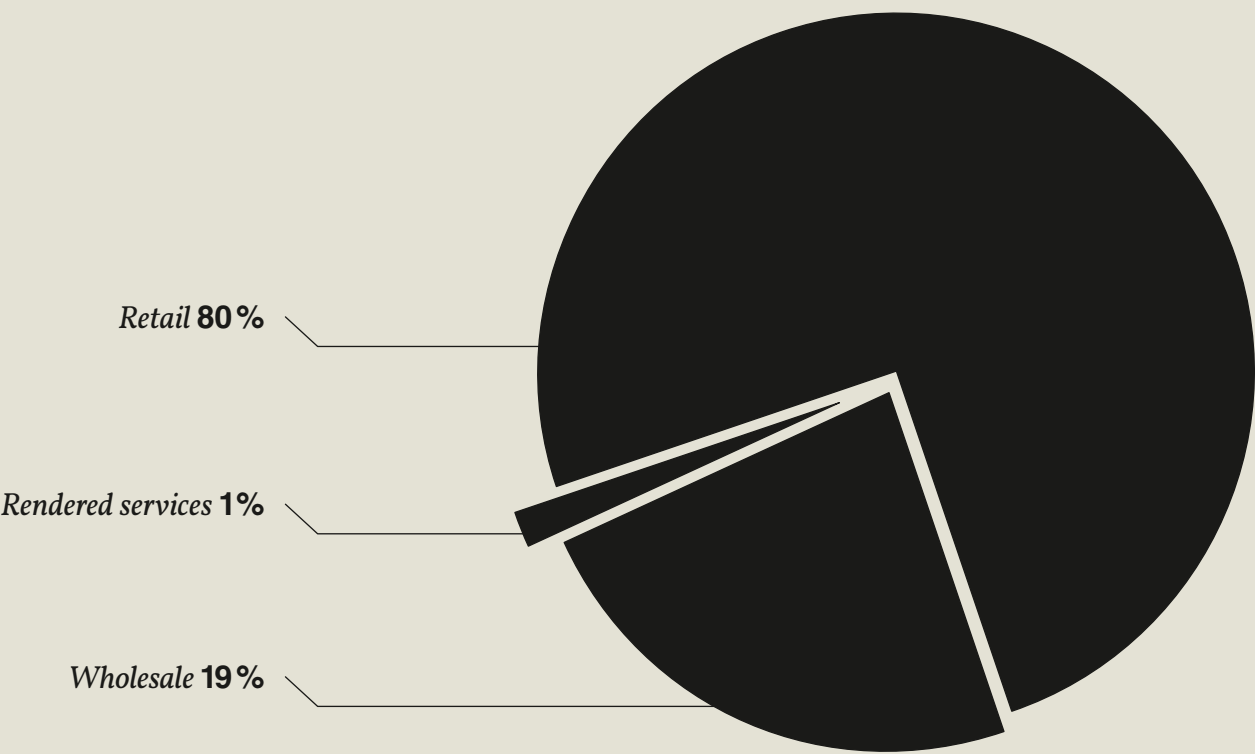
Gunnar Heinemann

FINANCIAL STATEMENTS

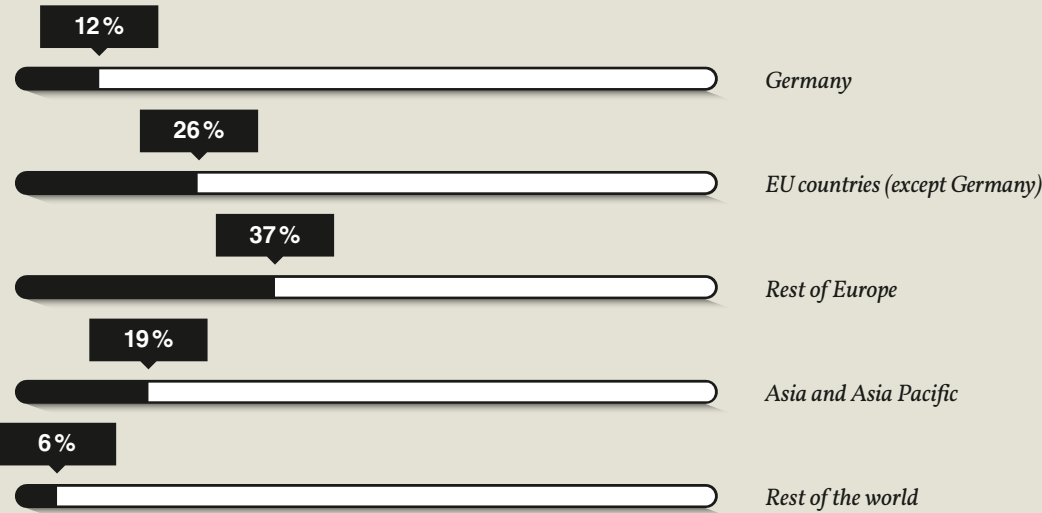
Gebr. Heinemann Group Turnover: 4.6 billion €*

+ 11.4% Δ PY

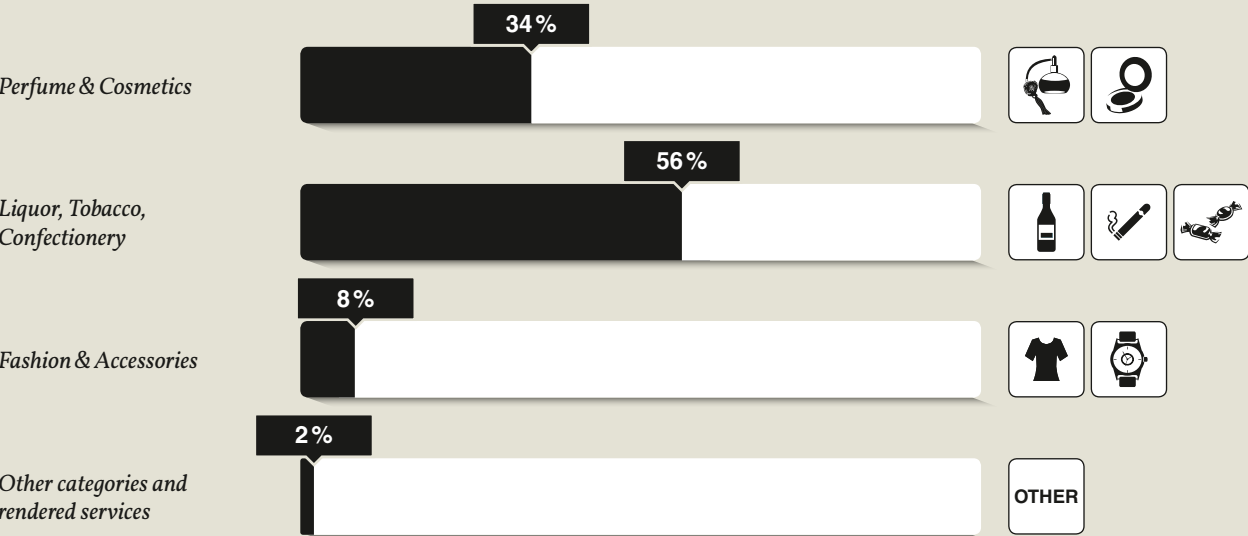
* Preliminary group turnover of Gebr. Heinemann and affiliates.
Consolidated Gebr. Heinemann turnover according to HGB: 3.2 billion euros.



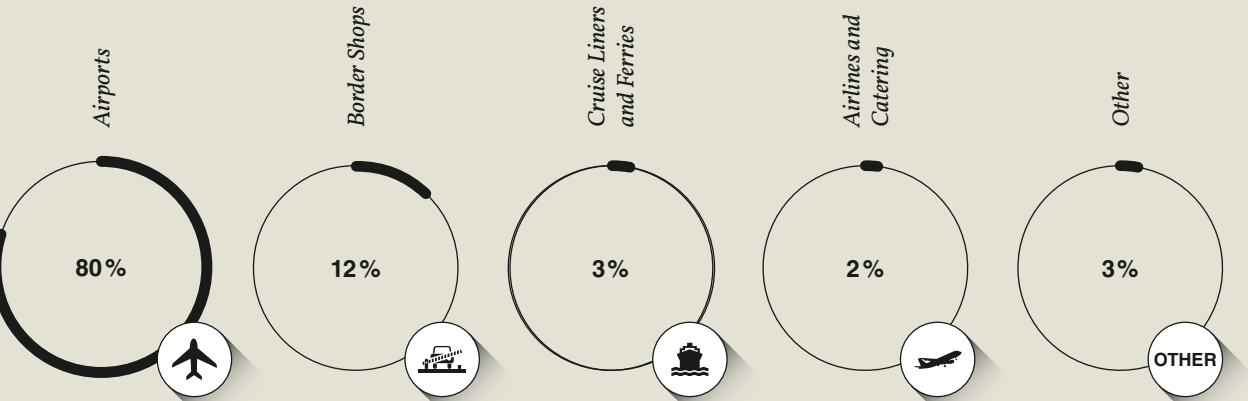
Total external sales by regions



Total external sales by categories



Total external sales by channels



A close-up portrait of Max Heinemann, a man with light brown hair and a beard, wearing a dark blue suit jacket over a light blue shirt. He is looking slightly to the right with a thoughtful expression. A large, stylized white graphic element, resembling a bracket or a large '7', is overlaid on the right side of the image, framing the text on the right.

“OUR CORE MARKET IS THE WORLD”

In conversation with Max Heinemann

In September 2018, Max Heinemann became the first CEO of Gebr. Heinemann SE & Co. KG in the nearly 140-year history of the company. He returned from Singapore, where he had built and led the Heinemann Asia Pacific subsidiary, in late summer and has since taken up his position in the executive team at the Hamburg headquarters.

You have been at the headquarters since September 2018. What experience has made the biggest impression on you so far?

“There hasn’t really been a particular moment. Instead, it’s how familiar I’ve found it, including on an emotional level – I could still see the reasons why I decided to work for the company originally, and why I chose to come back to the headquarters. The essential element of this familiarity is our corporate culture, the roots, the thread that binds us all together. There are so many experienced people here who have been with us for a long time, but also so many new talents – it’s a great recipe for success. Plus, it’s how willing and open everyone is to trying something new. That is a strong foundation – and we feel that there is a lot of trust in the changes that the Board has started to implement.”

How long and in what ways have you been preparing for the role of CEO within the executive team in Hamburg?

“I have been at the company for more than 14 years now, and this wasn’t a goal I’d envisioned in any of my roles before. Every area that was entrusted to me, I saw as just that. I wanted it to work, and I wanted to learn, to figure out how good I am at it. Of course, I always felt a responsibility in my dual role to act in both an operative capacity and as a co-owner, as well as to assess the company from a slight distance. But it was really in mid-2016, when I was officially invited to join the executive team, that I began to prepare for the new role. With advice from inside and outside of the company, I developed a vision for it, what our core competencies and unique selling points in the travel retail market are, and what could be drawn out of that and applied to our corporate

structure. For me, it was important to understand the company as one logical whole, and that's where I started my preparations. It also had to be clear which specific tasks I would be taking on. I want us to make more of our unique selling points going forward."

Which particular experiences from your time at Heinemann Asia Pacific will you incorporate into your role on the executive team?

"I worked in a CEO function in Singapore and will stay true to my style of management. I want to promote more cross-departmental working. It essentially comes down to the question of where complicated processes and structures can be simplified. We obviously need departments, but we have to overcome this mindset of silo thinking. I am currently talking to a lot of people, and I feel the energy and spirit that prevail here. My style of leadership has a lot to do with trust. I want to understand everything, but in the end, the decision has to lie with the department. At Heinemann Asia Pacific in Singapore, we underwent a similar change process to that which we are currently implementing in Hamburg. We started out by copying the structures at the headquarters, then adapted and streamlined them as we needed to and changed processes as made sense. This is the right approach, and now we have to start applying it gradually at the headquarters."

What key areas have you begun working on – and with what (initial) goal?

"We have multiple priorities. As a company, we have to keep up with running the business and our growth. What we are doing as part of this restructuring will quickly become measurable and will be reflected in a lot of day-to-day projects. Simplicity and clarity will be crucial – every employee has to understand what they are working on and what their objective is. We then want to use this excellent foundation as a platform to enhance our day-to-day business. We want to make our customers and partners even better, make them feel better understood. But they should also have a better understanding of what Gebr. Heinemann stands for. There is no pressure for the upcoming changes we are initiating. But from my experience, there is an element of the right timing and a gut feeling when you are working on things like this. The generational shift is one of these ideal moments. Gebr. Heinemann is very successful. Now we have to become creative to combat the challenges of the market. Challenges that are not just facing us a retailer, but everyone in the sector. We have to find more transparency and interact more, including with business partners such as airports, airlines and brand manufacturers. The increasing economic and social risks have to be shared."

What is it that you find so captivating about the global travel retail market?

"The different cultural influences and the unbelievable complexity of the masses of people moving around the world, constantly changing their behaviours and trends – I find that exciting. Everything is getting faster and everybody wants things to become even more convenient. Deciding how to react to that is a challenge for me – and connecting it to the fun and emotionality of giving, and the brand worlds with their stories – that fascinates me, it's what helps me to grow. Added to this is my own mobility, talking to so many people. Our core market is the world, and that makes the travel retail sector one of the greatest industries I know."

Gebr. Heinemann has been constantly growing for over 139 years – how agile does such a complex company have to become to remain successful?

"We are currently trying to figure out the right formula for that. We cannot get rid of the complexity as it's down to our size. It is something we can manage. But we have to identify where the intricacies lie. I see my role as a CEO as creating a platform for us to discuss the enhancement of our company's structure. Change will remain a structural element going forward, but we have to create the foundations that will make it easier to handle as market conditions fluctuate."

We won't change the size of the tanker, but we will try to make it as agile as a sailing boat. We have to think more carefully about what we want to be and what growth means to us, what the motivation behind it is, what is actually necessary. It's definitely not a position in the rankings. And we will never make a decision based on growth alone. We would rather our partners see us as a boutique amongst Duty Free companies than as a comparable conglomerate. We want to be the best in terms of profitability, but based on smart responses to the current environment, because we are the ones who know these customers the best, because of our corporate culture, because we want to do the job!"



How do you want to lead the company?**What will you do similarly to your father and uncle – and what do you want to do differently?**

“In our family company, there is so much you can absorb and identify with. Many great people who have impressed me – including my father and uncle. Our culture and values are important. I want to do many things, and continue to lead, in very much the same way as them in terms of respect, awareness, trust and openness. I believe that is what brings great success to our company. Closeness remains important, but I may look to define clearer boundaries in terms of personal accessibility. I would explain it with the term ‘escalation levels’. We need them to utilise the full potential of our company. These levels have to be kept to in order to ensure that employees and managers can assume responsibility and that their decisions are respected.”

Your family has moved with you from Singapore to Hamburg. This is the first time you have all lived here together. What does that mean to you?

“As a family, we want to have new experiences here, take on new challenges. For me, it has been easier than I thought because I can sense my roots again and I have my network here. It will be more difficult for our children as their roots are in Singapore. It is important for us to create an environment that makes them happy and helps them to make friends quickly. That’s what we’re focusing on.”





DIPLOMATS OF DUTY FREE

New Corporate Affairs company division analyses worldwide trading risks

Lara Vitzthum, Dr Jennifer Cords and Torsten Ehlers (from left)

With more than 330 Heinemann Duty Free & Travel Value Shops in 29 countries and over 1,000 distribution customers in more than 100 countries, Gebr. Heinemann works within international trade relations every day. Central to this is an understanding of the local political, economic and legal conditions at the various locations and an ability to assess future developments and their likely influence on the company's activities. At the same time, it is important to engage in dialogue with opinion leaders and decision makers on the ground and to position oneself strategically. With the increasing worldwide expansion of Gebr. Heinemann, these issues are growing in both scale and importance. And so it is for this reason that the Hamburg trading company has now created a Corporate Affairs division, to focus on exactly these challenges.

Since September 2018, Dr Jennifer Cords has headed the new division as Director Corporate Affairs & Compliance, leading the department's drive to sharpen Gebr. Heinemann's political profile as a company worldwide. She has extensive experience in campaigning, communications, public affairs and corporate affairs within the global Duty Free sector. Before joining Gebr. Heinemann, Dr Jennifer Cords worked for more than seven years as Director Corporate Affairs and Compliance Global Duty Free & Export for Imperial Tobacco.

330+

HEINEMANN DUTY FREE & TRAVEL VALUE SHOPS

29

COUNTRIES

1,000+

DISTRIBUTION CUSTOMERS IN MORE THAN 100 COUNTRIES



Dr Jennifer Cords

Gebr. Heinemann's Corporate Affairs division unites the Business Compliance department, headed by Torsten Ehlers, the Corporate Communications department, headed by Lara Vitzthum, and the Corporate Responsibility and Corporate Affairs departments, both headed by Dr Jennifer Cords.

A facilitator and a service department

"Our most important task is to consciously position Gebr. Heinemann for risks," explains Dr Jennifer Cords. "By being even more proactive and vigorous in our risk analysis and risk assessment than in the past, we help to highlight any risks and then provide recommendations for action. The company relies upon such assessments in order to decide whether to enter a new market or assess whether particular activities, such as a product launch or a marketing initiative, comply with the laws of a particular country and with the values of Gebr. Heinemann. We at Corporate Affairs see ourselves explicitly as both a 'facilitator' and a service department."

The Compliance department in particular plays a central role in risk assessment and analysis, since it deals with ensuring adherence to laws and regulations across various countries worldwide. It also cooperates with law firms with international networks so that all issues relevant to Duty Free can be covered, such as transport and customs law, contract law, counterterrorism or aviation security. *"The Compliance department is also an 'experience department' with a wealth of knowledge," says Dr Jennifer Cords. "And so it's worth bringing them on board when an idea is discussed for the first time, for example during a brainstorming session in marketing or when the Executive Board and Business Development advise on possible participation in a tender. It makes sense to check out the risks at an early stage."*

Corporate Affairs is dialogue

Aiding persuasion and seeking dialogue – this is at the core of Corporate Affairs. Dr Jennifer Cords is in contact with politicians and ministries, institutions, supervisory authorities, chambers and non-governmental organisations (NGOs) and represents Gebr. Heinemann within associations. *"Sharpening Gebr. Heinemann's political profile means doing strategic work within associations and participating politically by representing entrepreneurial positions as Duty Free traders," she explains. "Duty Free is not self-explanatory, so politicians sometimes make decisions that can have a negative impact upon it. My task is to defend the idea of Duty Free, i.e. the privilege of being able to make tax-free purchases up to a certain limit while travelling. It's important that politicians and all transport and trade policy decision-makers understand how Duty Free works. For companies, an association that includes and organises other industry representatives offers the best opportunity to make contact with politicians. If, as a company, we have problems with a law that has already been published but not yet been passed, then we must make sure this issue is known within the relevant association, bring about consensus and provide the impetus to represent a joint position with regard to the political situation. Our main concern is always that Duty Free be recognised."*

When topics are dealt with in public via the media, and press inquiries are answered, then Gebr. Heinemann's Corporate Communications department comes into play. Corporate Communications is responsible for communicating Gebr. Heinemann's news, points of view and core messages to the media and thus to a broader public worldwide, in line with the company's strategy and values. At the same time, the department ensures that employees are kept well-informed about important topics at all times via the intranet.

The Corporate Responsibility department complements Corporate Affairs with topics relating to corporate responsibility in relation to the environment, sustainability, social engagement and corporate values. *"From this sense of responsibility and from our company values, we can develop guidelines for new employees, new business partners or new markets that suit the style and history of Gebr. Heinemann as a family-owned company,"* explains Dr Jennifer Cords.

The first months of Gebr. Heinemann's Corporate Affairs division were marked by several successes in legislative processes and initial success in the dialogue with leaders in Berlin, an examination of various Brexit scenarios and the preparation of the second CR report as well as the current annual report. The team has a clear goal for 2019: to establish itself as a service department and "facilitator" within the company.

Joining the United Nations Global Compact

In August 2018, Gebr. Heinemann joined the United Nations Global Compact (UNGC), the world's largest and most important initiative for promoting responsible corporate management. By joining the UNGC, the company has committed to integrating the initiative's ten universal sustainability principles into its business strategy, which cover human rights, labour, environment, and corruption prevention. *"As one of the world's most important players in the international travel retail market and a distributor to more than 1,000 customers in over 100 countries around the world, we are part of a global value creation process and see ourselves, just as our customers and partners do, as being responsible for assessing, documenting and optimising the social and ecological consequences and impacts of our commercial activities,"* says Kay Spanger, Chief Commercial Officer at Gebr. Heinemann.

PLANNING AND SHAPING THE FUTURE: CORPORATE RESPONSIBILITY MANAGEMENT

Commercial success and sustainability go hand in hand. As a family company, running its business with a future-oriented mindset is part of Gebr. Heinemann's DNA. The sustainability trend of recent years is also something its business partners are working on, from airports to airlines to cruise ship companies and suppliers. Not to forget the customers, for whom responsible travel and shopping are becoming increasingly important. As a sustainable travel retailer, Gebr. Heinemann already has a unique selling point that sets it apart from its competitors. In the years to come, the company plans to expand on this, establishing an efficient corporate responsibility (CR) management strategy through continuous, systematic optimisation. The company continued to push forward with important issues in 2018.

WE SUPPORT





Brainiac

Brainless

Our oceans are drowning in waste – with deadly consequences for marine life. oceancares.org



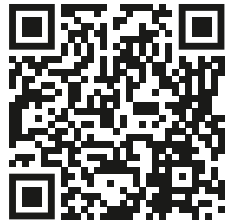
Pilot project with OceanCare expanded

Gebr. Heinemann has collaborated with the marine conservation organisation OceanCare since 2017. The aim is to work together to reduce the amount of plastic waste in the oceans. Heinemann currently charges a 30 cent fee on all single-use plastic, paper and zip bags at its 14 Duty Free locations in Germany and Austria. This measure is expected to lead to a drastic reduction in single-use bags and to encourage consumers to rethink their actions. In addition, all proceeds generated by this policy go to fund the projects of OceanCare. Bratislava and Ljubljana joined the scheme in 2018, with further locations around the world set to follow. As an alternative to plastic bags, customers can purchase multi-use bags made from 50 per cent recycled materials, or an exclusive Heinemann design LOQI bag.



“I Care”: together against single-use plastics

OceanCare uses the donations from Gebr. Heinemann to fund projects to reduce plastic waste in the oceans and to rescue the marine animals it endangers. A significant amount is also earmarked for environmental education activities and research projects that aim to reduce the generation of plastic waste. In October 2017, OceanCare took part in the 12th session of the UN Convention on the Conservation of Migratory Species (CMS) in Manila as a special UN advisor on marine conservation. At the convention, the marine conservation organisation presented its “I Care” campaign, in which OceanCare and its partners encourage people all over the world to rethink their use of single-use plastics. Gebr. Heinemann co-owner Claus Heinemann appears in the campaign film.



Find out more about the “I Care” campaign in the video

Business and environmental protection come together: the Ecoprofit certificate

In autumn 2018, Gebr. Heinemann was officially certified as a Hamburg Ecoprofit Company 2019 in recognition of its environmental achievements. Jens Kerstan, Senator of the Hamburg Department of Environment and Energy, presented the certificate to co-owner Gunnar Heinemann and Julia Knors, who led the project, on 24 January 2019 at an award ceremony at the Hamburg Chamber of Commerce.



André Mücke (Vice President Hamburg Chamber of Commerce), Gunnar Heinemann, Julia Knors and Senator Jens Kerstan (from left)



HIRE HIGHER

Human Resources presents new “Gebr. Heinemann & You” employer brand

What makes Gebr. Heinemann different from other employers? And what motivates potential employees to apply to the company? These two questions formed the starting point for the HR Marketing team's project to develop a new employer brand, which Gebr. Heinemann plans to launch in 2019. *"Our aim is to create a strong employer brand for Gebr. Heinemann that raises awareness of our company, impresses potential applicants and clearly sets us apart from the competition,"* says Dr Wolfgang Thiele, HR Director Global.

Brand reflects company principles

"The employer brand tells potential employees what they can expect from us and what a typical working day with us might be like. It helps people decide whether a new employer is the right fit for them or not," explains Christina Poultourtzidou, HR Marketing Manager and Project Manager. The core values of the employer brand are closely linked to the company's guiding principles. *"The core idea behind the new brand is Gebr. Heinemann & You. It says that we are a family company, in which employees are valued, trusted and open with one another. We offer opportunities to develop and to make a difference. And we are always focused on wowing our customers. Now, we want these ideas that we live by inside the company to shine through more clearly to the outside world,"* says the Project Manager.

Preparations for the campaign launch in 2019

Across a number of workshops involving both managers and employees from various departments, the team identified what differentiates Gebr. Heinemann from the competition. *"With the help of a market research institute, we also determined how we are seen on the market and what is important to the target groups we are aiming for. Together, the workshops and market research helped us to gain a comprehensive insight. Using these results and taking into account the company's values, we were then able to develop a strategy concept,"* Christina Poultourtzidou continues. Now, the team is working on combining imagery, text and tone and aligning them with the brand itself so that they can launch the campaign in 2019, first with new job adverts, then with trade fair appearances, a careers page, flyers and other online activities.

International image

With more than 6,000 employees worldwide, Gebr. Heinemann is a global player in the travel retail sector. *"So it was important right from the start to develop a concept we could also use internationally – of course taking into account cultural differences and job market-specific conditions,"* Dr Wolfgang Thiele explains.

Employees as brand ambassadors

In order to give an authentic impression of the company, Gebr. Heinemann decided to involve its own employees in the campaign. *"Staff from a variety of departments responded to our call for people to represent Gebr. Heinemann as brand ambassadors,"* says Christina Poultourtzidou. The team received plenty of positive responses from employees ranging from trainees to senior managers, all of whom had an excellent time at the photo shoot. *"Many found it a great honour to be able to participate in the campaign,"* adds the Project Manager. *"It was clear to us from the start that we wanted to show our employees and give them a voice. Anything else would not have fit with either the company or the main idea behind our campaign."*

"I am proud to work at Gebr. Heinemann. As an employer, the company offers me attractive conditions and a working environment I find exciting due to the wide range of different products and suppliers I work with. I feel well-supported here and I enjoy being able to change things and drive things forward. That's why I'm proud to be a brand ambassador, so I can share this passion with potential applicants. Gebr. Heinemann gives me the chance to do this by attending careers fairs and building partnerships with universities."



ERIK PETRUSCHKE
(Head of Process Management Logistics)

Gebr. Heinemann
brand ambassador



4,195 YEARS AT GEBR. HEINEMANN

Here's to our long-time employees!

40 years

Peter Müller, Hamburg-Allermöhe, since 2nd January 1978

Vitor Manuel Santos Maia, Hamburg-Allermöhe, since 15th February 1978

Waltraud Fliessbach, Frankfurt, since 1st March 1978

Klaus-Dieter Erb, Hamburg-Allermöhe, since 14th August 1978

Iris Hauptmann, Frankfurt, since 1st December 1978

35 years

Heino Täger, Hamburg-Allermöhe, since 3rd March 1983

Claus Michael Muth, Erlensee, since 1st April 1983

Detlef Hartwig, Hamburg-Allermöhe, since 16th May 1983

Stefanie Lindermeir, Frankfurt, since 1st November 1983

30 years

Ruth-Karen Eyring, Head Office, since 1st January 1988

Sonja Friedl, Hamburg-Allermöhe, since 25th January 1988

Gudrun Engel, Frankfurt, since 1st April 1988

Gabriele Lorenz, Frankfurt, since 1st April 1988

Guido Glätzer, Hamburg-Allermöhe, since 15th April 1988

Detlef Büthke, Cologne, since 1st June 1988

Simone Konrad, Frankfurt, since 15th September 1988

Ugur Eksi, Hamburg-Allermöhe, since 1st October 1988

Monja Baier, Head Office, since 1st November 1988

Antonio Corvaglia, Hamburg-Allermöhe, since 1st November 1988

Petra Frankenbach-Schröder, Frankfurt, since 1st November 1988

Thomas Marz, Hamburg-Allermöhe, since 1st November 1988

Burkhard Tomasseti, Cologne, since 1st December 1988

25 years

Torsten Kassebaum, Hamburg-Allermöhe, since 1st January 1993

Kerstin Pietschmann, Leipzig, since 1st January 1993

Malgorzata Urschel, Erlensee, since 1st January 1993

Dag Junge, Head Office, since 19th January 1993

Katja Riegner, Head Office, since 1st February 1993

Tanja Horstmann-Neurath, Head Office, since 1st April 1993

Patrick Höfner, Head Office, since 5th April 1993

Nils Boy, Hamburg-Allermöhe, since 1st May 1993

Jens Richter, Leipzig, since 1st May 1993

Stefan Franzke, Frankfurt, since 15th July 1993

Dietmar Schelzig, Dresden, since 19th July 1993

Beate Tönjes, Dresden, since 19th July 1993

Ines Schubert, Dresden, since 28th July 1993

Gabriele Knöfel, Frankfurt, since 18th August 1993

Caroline Provot, Frankfurt, since 1st September 1993

Uwe Rühle, Frankfurt, since 1st September 1993

Ursula Schmuck, Frankfurt, since 1st September 1993

Petra Bruns, Head Office, since 1st October 1993

Baskim Kerimi, Hamburg-Allermöhe, since 1st October 1993

Edda Knieriem, Frankfurt, since 1st October 1993

Tanja Laws, Frankfurt, since 1st October 1993

Elena Stanojic, Head Office, since 1st October 1993

Snezana Konstantinovic, Frankfurt, since 11th October 1993

Beatrix Alt, Frankfurt, since 15th October 1993

Kerstin Geldmacher, Head Office, since 18th October 1993

Vera Handke, Hamburg, since 1st November 1993

Barbara Kindler, Hanover, since 1st November 1993

Thomas Kopittke, Hamburg-Allermöhe, since 1st November 1993

Barbara Moeck, Hanover, since 1st November 1993

Dikla Perez Bouzas, Frankfurt, since 15th November 1993

Camilla Wagner, Berlin-Tegel, since 22nd November 1993

Petra Preiß, Frankfurt, since 1st December 1993

20 years

15 years

Figen Baki, Frankfurt, since 1st January 1998
Petra Eckert, Head Office, since 1st January 1998
Maria Milchien, Frankfurt, since 1st January 1998
Toshko Janev, Erlensee, since 12th January 1998
Isa Tekin, Frankfurt, since 15th January 1998
Kerstin Alka, Frankfurt, since 1st February 1998
Anna Delkoussi-Froudaki, Frankfurt, since 1st February 1998
Admir Haskovic, Frankfurt, since 1st February 1998
Margarete Schubert, Hamburg-Allermöhe, since 1st February 1998
Ronald Sell, Head Office, since 1st February 1998
Mohamed Azdi-Ahmed, Frankfurt, since 1st March 1998
Tina Dinter, Leipzig, since 1st March 1998
Anja Kirschbaum-Lange, Hanover, since 1st March 1998
Johanna Nowak, Frankfurt, since 1st March 1998
Ljiljana Petrovic, Frankfurt, since 1st March 1998
Heike Pottschul, Berlin-Tegel, since 11th March 1998
Diana Mertin, Berlin-Tegel, since 12th March 1998
Andreas Cordes, Hamburg-Allermöhe, since 1st April 1998
Richard John Hoyer, Head Office, since 1st April 1998
Huma Khan, Frankfurt, since 1st April 1998
Blazenska Milanovic, Frankfurt, since 1st April 1998
Michael Thun, Hamburg-Allermöhe, since 1st April 1998
Diana Jäger, Frankfurt, since 1st May 1998
Jochen Ossenberger-Moehling, Frankfurt, since 15th May 1998
Judith Balzen, Frankfurt, since 1st June 1998
Mirjana Basic, Frankfurt, since 1st June 1998
Christin Göttlich-Kidane, Frankfurt, since 1st June 1998
Marcus Möller, Hamburg-Allermöhe, since 1st June 1998
Djenana Northe, Frankfurt, since 1st June 1998
Susanne Saß, Frankfurt, since 1st June 1998
Myrna Schwab, Frankfurt, since 1st June 1998
Marina Gogou, Hanover, since 9th June 1998
Stefan-Dieter Hammer, Frankfurt, since 15th June 1998
Leily Sarajha, Frankfurt, since 15th June 1998

Mario Fallack, Berlin-Tegel, since 26th June 1998
Dorothea Konrath, Frankfurt, since 1st July 1998
Ljerka Kucic, Frankfurt, since 1st July 1998
Maria Menacher, Frankfurt, since 1st July 1998
Heiko Neumann, Hamburg-Allermöhe, since 6th July 1998
Yodit Sahle, Frankfurt, since 15th July 1998
Sibel Altas, Frankfurt, since 1st August 1998
Maria Victoria Celera-Grabowitz, Frankfurt, since 1st August 1998
Janine Reckstadt, Hamburg-Allermöhe, since 1st August 1998
Alfred Thiel, Hamburg-Allermöhe, since 5th August 1998
Sepideh Shah Hosseini, Hamburg, since 10th August 1998
Nasim Solhi, Frankfurt, since 15th August 1998
Wiebke Drewitz, Head Office, since 16th August 1998
Brahim Bennasri, Frankfurt, since 1st September 1998
Marina Cornelia Heinemann, Berlin-Tegel, since 1st September 1998
Silvia Schuldheis, Frankfurt, since 1st September 1998
Bhupinder Singh, Frankfurt, since 1st September 1998
Margit Droll, Frankfurt, since 12th September 1998
Liam Healy, Hanover, since 22nd September 1998
Karsten Baier, Hanover, since 1st October 1998
Christina Diehl, Frankfurt, since 1st October 1998
Manuel Dzyck, Berlin-Tegel, since 1st October 1998
Kil Ja Han, Frankfurt, since 1st October 1998
Anett Pöhler, Head Office, since 1st October 1998
Thorsten Repenning, Head Office, since 1st October 1998
Janni Theodoropoulos, Head Office, since 1st October 1998
Emel Celik-Kaya, Frankfurt, since 15th October 1998
Christine Jung, Frankfurt, since 1st November 1998
Markus Riesenmey, Hamburg-Allermöhe, since 1st November 1998
Astrid Kilicer-Ebel, Frankfurt, since 15th November 1998
Olga Kieselmann, Hamburg-Allermöhe, since 16th November 1998
Vesna Peukert, Frankfurt, since 16th November 1998
Christian Karau, Frankfurt, since 1st December 1998
Kalinka Wanke, Hamburg, since 7th December 1998

Katja Becker, Frankfurt, since 1st January 2003
Edward Leibovici, Frankfurt, since 1st January 2003
Sascha Lüdecke, Hamburg-Allermöhe, since 1st January 2003
Ines Plitt, Berlin-Schönefeld, since 1st January 2003
Ildiko Schaab, Frankfurt, since 1st January 2003
Heike-Stephanie Mohr, Frankfurt, since 15th January 2003
Simone Thomas Frankfurt, since 15th January 2003
Mecit Bagci, Erlensee, since 1st February 2003
Norbert Ewald, Erlensee, since 1st February 2003
Sergej Krutsch, Frankfurt, since 1st February 2003
Jacob Bastian Fock, Head Office, 24th February 2003
Holger Damm, Hamburg-Allermöhe, since 1st March 2003
Anja Mittag, Hamburg, since 1st March 2003
Pina Oranges, Frankfurt, since 1st March 2003
Andrea Schnur, Frankfurt, since 19th March 2003
Mona Pape-Tolaj, Hanover, since 31st March 2003
Birgit Bormuth, Frankfurt, since 1st April 2003
Sandra Bruhn, Hamburg-Allermöhe, since 1st April 2003
Lars Künzelmann, Dresden, since 1st April 2003
Barbara Ludwig, Hahn, since 1st April 2003
Waldemar Schmidt, Hamburg-Allermöhe, since 1st April 2003
Wioletta Turzynski, Hamburg, since 1st April 2003
Jacqueline Wolf, Frankfurt, since 1st April 2003
Silvia Bluehdorn, Hanover, since 1st May 2003
Stephanie Fett, Hahn, since 15th May 2003
Thomas Kampa, Hanover, since 1st June 2003
Stefanie Rüger, Head Office, since 1st June 2003
Nancy Stübs, Hamburg-Allermöhe, since 2nd June 2003
Soner Saklar, Frankfurt, since 10th June 2003
Angelika Wieghorst, Hamburg-Allermöhe, since 25th June 2003
Peter Wachholz, Hamburg-Allermöhe, since 26th June 2003
Norbert Baitz, Cologne, since 1st July 2003
Marko Gensch, Hamburg-Allermöhe, since 1st July 2003
Elke Kahlmeyer, Hanover, since 1st July 2003
Sabine Karczewski, Hamburg-Allermöhe, since 1st July 2003
Andreas Kausch-Cipriani, Frankfurt, since 1st July 2003
Anas Koujan, Frankfurt, since 1st July 2003
Ingrid Mahler, Hamburg-Allermöhe, since 1st July 2003
Marcus Oestereich, Hamburg-Allermöhe, since 1st July 2003
Frank Weiss, Hamburg-Allermöhe, since 1st July 2003
Karan Sachdeva, Frankfurt, since 7th July 2003
Halil Abu Gaber, Frankfurt, since 15th July 2003
Marcus Stephan Christian Prill, Erlensee, since 15th July 2003
Ron Dziobek, Hamburg-Allermöhe, since 1st August 2003

Hiltrud Gauer, Hahn, since 1st August 2003
Oliver Hein, Head Office, since 1st August 2003
Toni Ischo Golpaschin, Cologne, since 1st August 2003
Jenö Jess, Erlensee, since 1st August 2003
Tobias Mahncke, Hamburg-Allermöhe, since 1st August 2003
Christina Massa Bulesich, Frankfurt, since 1st August 2003
Gerlinde Weirauch, Hahn, since 1st August 2003
Ana Isabel Krüger, BC GmbH, since 15th August 2003
Jürgen Wetzel, Hamburg-Allermöhe, since 25th August 2003
Iman Abu Seris, Head Office, since 1st September 2003
Sven Hansen, Hamburg, since 1st September 2003
Marco Schneider, Hamburg-Allermöhe, since 1st September 2003
Torsten Schumann, Erlensee, since 1st September 2003
Oktay Yildirim, Frankfurt, since 1st September 2003
Julian Ullrich, Hamburg-Allermöhe, since 4th September 2003
Alexandra Coelho Tabbert, Hamburg, since 8th September 2003
Georg Piest, Hamburg-Allermöhe, since 9th September 2003
Alexander Schmidt, Hamburg-Allermöhe, since 10th September 2003
Zahir Hireche, Hamburg-Allermöhe, since 15th September 2003
Volker Moser, Frankfurt, since 15th September 2003
Beate Schubert, Head Office, since 22nd September 2003
Alona Kühlwein, Hamburg-Allermöhe, since 25th September 2003
Kai Buchtmann, Hamburg-Allermöhe, since 1st October 2003
Grzegorz Czyrko, Hamburg-Allermöhe, since 1st October 2003
Doerthe Niehoff, Head Office, since 1st October 2003
Marion Ternette-Ahmed, Hamburg-Allermöhe, since 1st October 2003
Susanne Ussat-Alsqour, Hamburg-Allermöhe, since 1st October 2003
Joannis Zoschke, Hamburg-Allermöhe, since 1st October 2003
Petra Kitzig, Hanover, since 7th October 2003
Igor Gutwin, Hamburg-Allermöhe, since 9th October 2003
Christian Keller, Hamburg-Allermöhe, since 10th October 2003
Marina Zudse, Hanover, since 21st October 2003
Zeynep Erdogan, Frankfurt, since 27th October 2003
Sandor Kalman, Dortmund, since 1st November 2003
Christian Kolden, Frankfurt, since 1st November 2003
Ralph Gurski, Head Office, since 3rd November 2003
Zarfa-Naheed Haq, Frankfurt, since 21st November 2003
Heike Haß, Hamburg-Allermöhe, since 1st December 2003
Manuela Lehmann, Head Office, since 1st December 2003
Anja Lorbeer, Hamburg-Allermöhe, since 1st December 2003
Jan Otto, Head Office, since 1st December 2003
Sandy Schroeder, Hanover, since 1st December 2003
Nihat Cevik, Frankfurt, since 20th December 2003



NEXT GENERATION

Strategy Day 2018 with record-high number of participants



There is one date that has long been a firm fixture in the calendar for both the travel retail sector and brand manufacturers, and that is the annual Gebr. Heinemann Strategy Day, which takes place every September in Hamburg. The 2018 event, entitled “Next Generation,” offered the 350 attendees from around the industry a glimpse into the future, with the theme not only referring to the upcoming generational shift at family-owned Gebr. Heinemann, but also future trends in its Purchasing, Logistics, Retail and Distribution, Activity Management and Digital departments.

Within the historic walls of the MARKK (Museum am Rothenbaum – Kulturen und Künste der Welt), managers from the company’s headquarters and the Heinemann Asia Pacific and Heinemann Americas subsidiaries presented highlights from their most recent activities and their strategic prospects to an international audience. Max Heinemann, fifth-generation family member and CEO of Gebr. Heinemann SE & CO. KG since September 2018, wasn’t able to attend in person, but had his image projected onto the stage to welcome the attendees.

Insights, visions and strategies

Kay Spanger, Chief Commercial Officer, kicked off the event by explaining the company's key strategic objectives. These included acquiring customers and developing lasting relationships with them, achieving further profitable growth as an independent family-owned company, transferring the Gebr. Heinemann

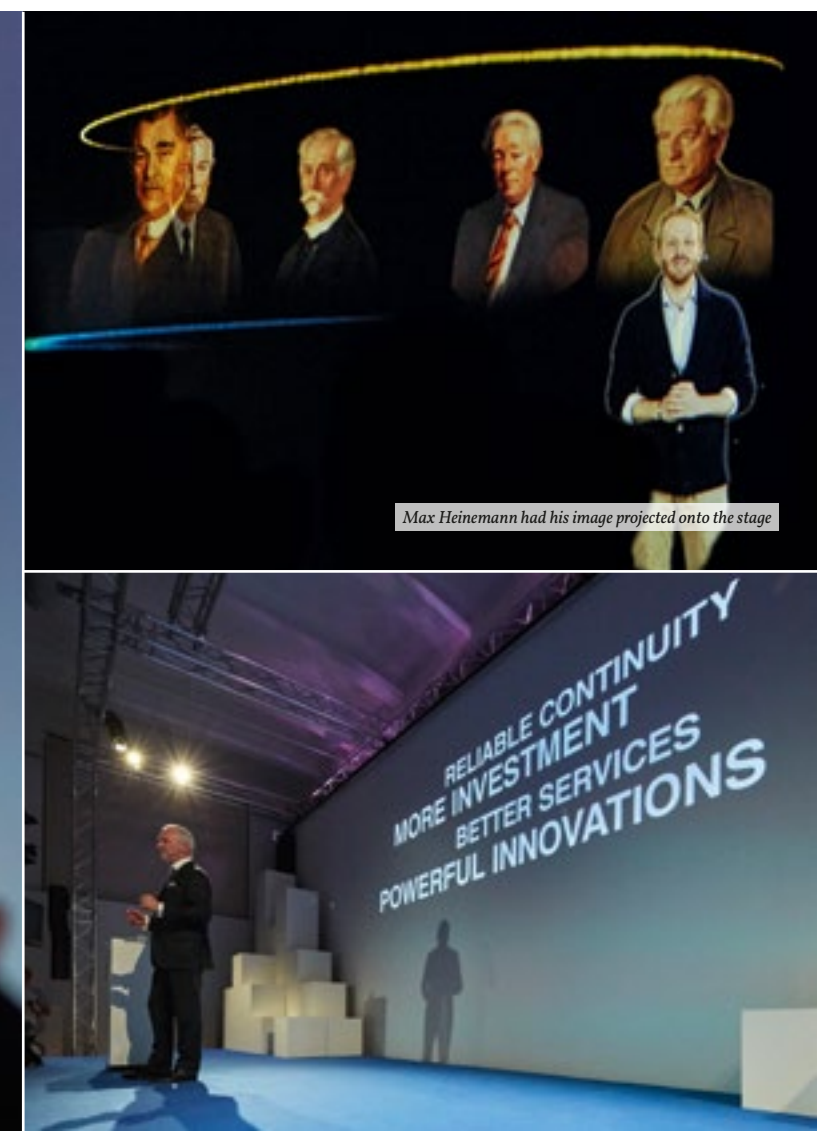
operating model around the world and managing business processes in line with the company's values, as well as even further boosting goal orientation amongst the employees. Purchasing reported on how customers, the market environment and products will change over the coming generations and how Heinemann is approaching these shifts. They showed examples from the make-up category's LookLab campaign in Copenhagen and the development of a department store concept for travel retail, which the company debuted at Moscow Sheremetyevo Airport in summer 2018. There were also updates from Fulfillment and Activity Management, which explored highlights such as “Welcome to Hamburg” and the multi-sensory Bombay Sapphire promotion. Gebr. Heinemann's digital strategy with its new online shop and in-store digitalisation programme was also on the agenda. Retail presented the “Marketplace” and innovative concepts from Frankfurt and Istanbul, while Distribution explained its success factors and customer events such as the Travel Retail Academy. The presentations were rounded off with talks from the Heinemann Americas and Heinemann Asia Pacific representatives focusing on their current activities and markets.



Kay Spanger, CCO Gebr. Heinemann



Sören Borch, Director Retail Sales



Max Heinemann had his image projected onto the stage

Modern approaches, traditional roots

“For almost 140 years, Gebr. Heinemann has been constantly striving to become the first choice in the travel retail market,” explained Kay Spanger during the event. “So we have become experts in transitioning to the next generation. We have always retained our traditional spirit, but with each generation adding its own innovations, visions and experiences.”

Once the main Strategy Day event was over, there was plenty of opportunity to interact and network – and take in some excellent feedback from the attendees. The proportion of representatives from brand manufacturers in the Fashion & Accessories category was, at more than 40 out of the 350 guests, higher than ever before and ranged from the premium to the high-end luxury segment. Katja Diehr, Head of Activity Management P&C, F&A, W&J at Gebr. Heinemann, helped to organise the Strategy Day, and was delighted to see how important and respected the event has become over the years. *“We are welcoming a world class audience that includes a great number of decision makers. They know that they can come here to get all of the important information for every category at the same time.”*





FULLY HANDS-FREE

Digitalisation and innovations for optimised logistic processes

Globally standardised and optimised processes are part of Gebr. Heinemann's overall logistics strategy. Digitalisation and economically sound technical innovation form the backbone of successful global supply chain management. An overview of the developments within logistics at Gebr. Heinemann in 2018:

Pick by Vision: innovation driver in order picking

"We are one of the first commercial enterprises in Europe to introduce Pick by Vision," says Marco Rebohm, Director Logistics at Gebr. Heinemann. *"We are currently in the process of converting our manual order picking processes to this technology."* The order pickers receive the information they need displayed in the lenses of their smart glasses. This includes details such as storage locations and product information. The glasses are able to scan QR codes, and a finger scanner can also be used for barcodes. Each piece of information for the order picking process is sent back to the warehouse management system over Wi-Fi. The advantage of Pick by Vision: it means that order picking staff have their hands free. The glasses also guide them along an optimised route, so that the products are always processed in the optimal order. *"Pick by Vision is a real innovation driver,"* explains Marco Rebohm. *"Productivity gains of 15 to 20 per cent can be achieved by introducing the smart glasses. The technology is easily transferable. This means its use is not restricted to a single site, and we can employ it in other places, such as our goods warehouses at the airports."*

MTM – methods-time measurement: efficient and ergonomic processes

Methods-time measurement (MTM) is an innovative and integrated productivity management methodology that focuses on the interface between efficient processes and employee health. Born out of the automotive industry, MTM is used to design and evaluate working procedures. Gebr. Heinemann is one of the first commercial enterprises to use it. *"The introduction of MTM is incredibly important for the future of our logistics processes around the world,"* says Marco Rebohm. *"It helps us to establish optimal, standardised processes that also help to keep our employees healthy, since they take ergonomic factors into account."* The engineers in the Gebr. Heinemann Logistics department received extensive training before MTM was introduced in the logistics centre at Erlensee. Training for the order pickers is almost complete and plans are in place for the next launch in Hamburg-Allermöhe. After this, MTM will be introduced at warehouse sites managed by Gebr. Heinemann's Logistics department all over the world. In the future, MTM will enable the company



to analyse the entire supply chain, including every external service provider, and so to achieve further productivity gains.

SAP EWM for the Allermöhe logistics centre

It was already integrated into the Erlensee logistics centre when it opened, but now it is coming to Allermöhe: Extended Warehouse Management (SAP EWM). The new warehouse management system is the foundation for every process in the logistics chain, with its main components being warehouse and material flow management. Technical support is no longer available for the system currently in use at the Allermöhe logistics centre, so work is now underway to replace it with SAP EWM over the next three years. This upgrade is one of the company's most extensive projects, involving the integration of processes along the entire supply chain – it will even be implemented while the systems are live. A lot of preliminary work has already been completed in recent years and investments have been made to lay the foundations for further programming. Marco Rebohm sees huge synergy effects ahead: *"After the conversion, both logistics centres, Erlensee and Allermöhe, will be operated using equally powerful systems."* Gebr. Heinemann has made some considerable investments in the logistics centre at Hamburg-Allermöhe to prepare the site for growing demand and new technologies. For example, the 32 large cabinet control systems in the Commissioner have been upgraded by the company's own technicians.



Marco Rebohm, Director Logistics

Outlook: Track & Trace

The new Europe-wide Tobacco Products Directive comes into force in May 2019, and requires retailers and the industry to be able to track cigarettes and tobacco along the entire supply chain from production to the POS. Gebr. Heinemann's Logistics department has already made great advances to prepare for the new Directive by purchasing the necessary hardware and connecting it to the software. The company has also agreed comprehensive process amendments with suppliers. At the start of this year, the company could begin testing the tracking of incoming and outgoing goods at Hamburg-Allermöhe and Erlensee. *"By the time the Directive comes into force, we will be fully prepared. The industry confirmed that we had already come a very long way with the technical implementation by the end of 2018,"* says Marco Rebohm.



A DATE WITH DATA

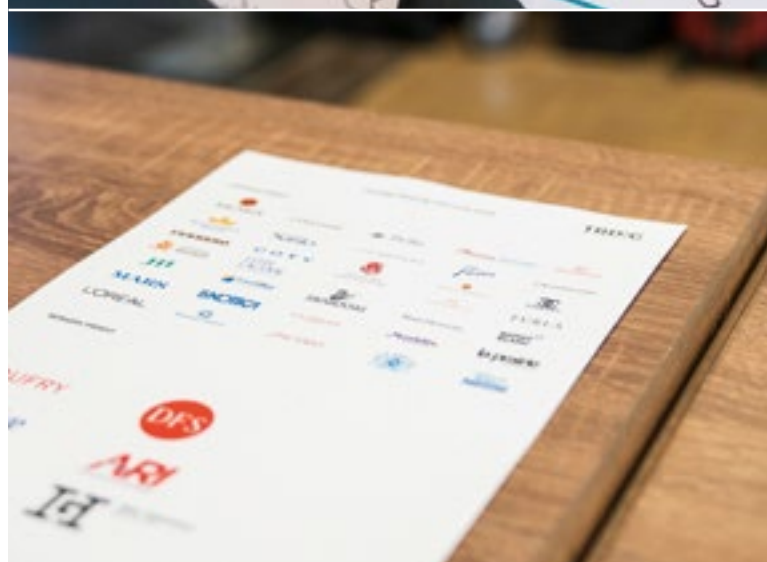
TRDIG Strategy Meeting provides new impetus for worldwide master data exchange

A large “commitment wall” bearing the signatures of all attendees marked the finish of the TRDIG strategy meeting in Hamburg, which brought together representatives from Dufry, DFS, Lagardère, Kappé and Aer Rianta amongst others. The symbolic gesture underlined the participants’ commitment to driving the project forward together, by connecting to the data pool by 2019 and using it to exchange information.

A total of 130 guests travelled to the city by the river Elbe in June 2018 to take part in the meeting initiated by Gebr. Heinemann. “We had CEOs, CIOs and experts from around 35 top suppliers, as well as leading representatives from five retailers in the Duty Free industry. It was a very high-level group,” reports Inken Callsen, Director Fulfillment. “In addition to our competitors, Imperial Brands, Mars, Coty, Brown-Forman and Bacardi also provided updates on the current status of the data pool connection.”

TRDIG works towards global standardisation

The Travel Retail Data Innovation Group (TRDIG) consists of suppliers, retailers, and the service provider 1WorldSync. Together, they are developing global standards for master data that will enable product information to be shared automatically between the industry and travel retailers. A digital, automated data exchange with just one interface increases data quality, minimises the number of error sources and reduces processing costs. National consumer goods markets have already been using pool solutions to exchange master data for around 15 years. “This was the first time we held a meeting with all participants. We are working together toward global standardisation, which will sustainably benefit all players on the market,” explains Inken Callsen. Companies reporting on the current status of their projects at the TRDIG



meeting included not only the driving forces at Gebr. Heinemann, but also representatives from the other companies which are already involved. In their presentations, DFS, Dufry and Lagardère discussed the great advantages of the new data pool. The next milestones for the project were also defined, namely the expansion of the pool to all product groups in travel retail and the enhancement of data with product images and additional marketing information. “All TRDIG partners at the meeting demonstrated their determination to continue implementing the data pool so that starting with the first quarter of 2019, we will be able to access all standardised master data,” explains

Laura Moser, Project Manager Fulfillment. The defined standards ensure compliance with legal requirements – customs regulations, for example – in the respective markets. Omnichannel retail and e-commerce also benefit from reliable product information. “Everyone involved can draw a benefit from the project,” says Laura Moser. “I am sure that data exchange will be indispensable in the future.”

“In a world of high volatility, we need to be better at forecasting and closer collaboration along the supply chain. And the only way to get better is data exchange – it is not the most sexy part of our business but product management will be a key success factor for tomorrow’s travel retail business. We have to embrace this challenge together, and new initiatives have already been put in place, for instance within the Travel Retail Data Innovation Group led by Gebr. Heinemann and further retailers!”



VINCENT BOINAY
(L'Oréal Global Travel Retail Managing Director)



“As an expert in master data, I am impressed and thrilled to see how stringently Gebr. Heinemann is implementing master data management, and how boldly new approaches are developed like the TRDIG. This passion is spreading through not only Gebr. Heinemann itself, but the entire sector!”

THOMAS SCHÄFFER
(Research Associate, Heilbronn University of Applied Sciences)



“PEOPLE OF THE YEAR”

Moodie Davitt Report honours Inken Callsen

Every year since 2002, the Moodie Davitt Report has recognised people who have shown extraordinary dedication and are driving the entire travel retail sector forward. In December, Inken Callsen, Director Fulfillment, was named one of its ten “People of the Year” for 2018 for her work on the TRDIG initiative. Explaining the nomination, the Duty Free industry news service said that there were very few initiatives that gain support from not only the company's own staff but also from the most important global brand partners and competitors in travel retail. Inken Callsen and her team managed to bring all major suppliers in the travel retail sector together with leading representatives from five retailers at a strategy meeting, where they committed to implement their shared vision for standardised data exchange. They agreed that data standards and automated data exchange will be a precondition for travel retail's future ability to quickly and efficiently compete with other channels.



GLOBAL PRESENCE



Location:
Shops at the Carnival Liberty,
Carnival Ecstasy and Carnival Fantasy
(Port Canaveral, Charleston, Mobile)
Size:
more than 1,220 sq m in total
Opening:
first half-year 2018

Location 1:
AIDAAluna
Size:
365 sq m
Opening:
April 2019

Location 2:
AIDAmira
Size:
120 sq m
Opening:
November 2019

Location 3:
MS Amera (Phoenix Reisen)
Size:
90 sq m
Opening:
August 2019

Location:
Aeroporto Internazionale
di Catania (2nd Terminal)
Size:
233 sq m
Opening:
March 2019



Royal Caribbean Cruise Line

Location:
Shops on the 5th Oasis Class ship
of Royal Caribbean Cruise Line
Opening:
2021

Royal Caribbean Cruise Line
Location:
Shops on the 5th Quantum Class ship
of Royal Caribbean Cruise Line
Opening:
October 2020

Royal Caribbean Cruise Line
Location:
Shop on the 1st Icon Class ship
of Royal Caribbean Cruise Line
Opening:
2022



Location 1:
Shops at the
Carnival Spirit
Size:
390 sq m
Opening:
July 2018

Location 2:
Gold Coast Airport
(1 departures shop,
1 arrivals shop)
Size:
430 sq m (departures) and
230 sq m (arrivals)
Opening:
October 2018



TENDER WINS 2018



SUPPLY CONTRACTS 2018

NEW SUPPLY CONTRACTS



Greenland

Location: Kangerlussuaq Airport
Customer/contract partner: KNI A/S



Democratic Republic of Congo

Location: Aéroport International de Brazzaville
Maya-Maya
Customer/contract partner: ODC/Saresco Afrique for P&C



Togo

Location 1: Aéroport International Gnassingbé
Eyadéma, Lomé
Customer/contract partner: ODC/Saresco Afrique for P&C
Location 2: Aéroport International Gnassingbé
Eyadéma, Lomé
Customer/contract partner: Panafrican Sea Ventures



Benin

Location: Aéroport International Cardinal Bernardin
Gantin, Cadjehoun, Cotonou
Customer/contract partner: ODC/Saresco Afrique for P&C



Ethiopia

Location: Addis Ababa Bole International Airport
Customer/contract partner: Tourvest



Mali

Location: Aéroport International de Bamako-Sénou
Customer/contract partner: Panafrican Sea Ventures



Chad

Location: Aéroport International de N'Djaména,
Hassan-Djamous-Airport
Customer/contract partner: Panafrican Sea Ventures



Tunisia

Location: Downtown Tunis, Diplomatic DFS
Customer/contract partner: Salvo Grima Group



Libya

Location: Benina International Airport, Benghazi
Customer/contract partner: Salvo Grima Group



Cyprus

Location: Limassol Cruise Port
Customer/contract partner: Salvo Grima Group



Mauritius / Rodrigues

Location: Sir Gaëtan Duval Airport
Customer/contract partner: Rodrigues Duty Free Paradise



Kazakhstan

Location 1: Kazakhstan-Uzbekistan border (3 shops)
Customer/contract partner: Duty Free Shop LLP
Location 2: Kazakhstan-China border (2 shops)
Customer/contract partner: Duty Free Shop LLP
Location 3: Astana (city centre), 1 diplomatic shop
Customer/contract partner: Orient Eagle



Republic of Moldova

Location: Chişinău (downtown),
New Diplomat Duty Free Shop
Customer/contract partner: Dufremol Ltd./DFM Ltd.



Ireland

Location: Dublin – Buy on Board, spirits and tobacco
Customer/contract partner: Ryanair

RENEWED SUPPLY CONTRACTS



Croatia

Location: Split Airport
Customer/contract partner: Zracna LUKA SPLIT d.o.o.



Guernsey

Location: Guernsey Airport
Customer/contract partner: Wine and Beer Importers (Guernsey) Ltd.



Norway

Location: Egersund, Fjord Line Ferries
Customer/contract partner: Fjord Line AS



Denmark

Location: Copenhagen, DFDS Ferries
Customer/contract partner: DFDS A/S



Faroe Islands

Location: Tórshavn, Smyril Line Ferries
Customer/contract partner: Smyril Line A/S



Finland

Location: Helsinki
Inflight On-board & Pre-order
Customer/contract partner: Finnair

EXTENDED SUPPLY CONTRACTS



Republic of Moldova

Location: Chişinău International Airport/shop extension
Customer/contract partner: Dufremol Ltd./DFM Ltd.



Republic of Abkhazia

Location: Psou (Abkhazia-Russia border)
Customer/contract partner: DFT Group



Russia

Location 1: Vladivostok International Airport
Customer/contract partner: Dera Vladivostok
Location 2: Belaya Gora Airport
Customer/contract partner: Dufremol KG



SHOP OPENINGS 2018



Romania

Location 1: Cluj Airport – International Arrival Shop

Size: 22 sq m

Opening: July 2018

Location 2: Bucharest Otopeni Airport –

Victoria's Secret Boutique

Size: 63 sq m

Opening: August 2018



Bulgaria

Location: Kalotina (Bulgaria-Serbia border)

Size: 140 sq m

Opening: August 2018



Russia

Location: Moscow Sheremetyevo Airport, Terminal B,

10 Shops

Size: 2,627 sq m in total

Opening: May 2018

Location: Moscow Sheremetyevo Airport, Terminal E,

4 Shops

Size: 1,804 sq m in total

Opening: February and June 2018

Location: Moscow Sheremetyevo Airport, Terminal F,

7 Shops

Size: 1,244 sq m in total

Opening: February, March and October 2018

Location: Krasnoyarsk (Yemelyanovo)

International Airport/new Duty Free

Size: 190 sq m

Opening: November 2018

Location: Mineralnye Vody Airport/Duty Free Shop

Size: 70 sq m:

Opening: November 2018



Lithuania

Location 1: Vilnius International Airport

Size: 120 sq m

Opening: July 2018

Location 2: Vilnius International Airport

Size: 854 sq m

Opening: September 2018



Ukraine

Location: Kiev Borispol International Airport

Size: 65 sq m

Opening: April 2018



Germany

Location: Mein Schiff 1 New

Size: 550 sq m

Opening: May 2018



Turkey

Location: Ankara Esenboğa International Airport

Size: 700 sq m (area reduction from 1,250 sq m)

Opening: August 2018



China/Hong Kong

Location: Hong Kong International Airport

(Sweet Dreams by Heinemann)

Size: 820 sq m (total retail space of the 8 shops)

Opening: July 2018



Australia

Location: Sydney, Carnival Spirit

Size: 385 sq m

Opening: June 2018



Denmark

Location 1: Copenhagen Airport

(conversion Tax Free Heinemann Main Shop)

Size: 2,661 sq m (total Main Shop),

111 sq m (LookLab)

Opening: March 2018 (re-opening)

Location 2: Copenhagen Airport

(conversion Tax Free Heinemann A Pier)

Size: 409 sq m (complete reconstruction

and expansion of 234 sq m)

Opening: November 2018



Netherlands

Location 1: Amsterdam Airport Schiphol

(conversion Lounge 3)

Size: 459 sq m (complete conversion)

Opening: April 2018

Location 2: Amsterdam Airport Schiphol

(opening Pier G)

Size: 138 sq m (new shop incl. P&C concession)

Opening: March 2018

Location 3: Amsterdam Airport Schiphol

(partial conversion Exquisite)

Size: 143 sq m

Opening: November 2018

Location 4: Amsterdam Airport Schiphol (opening Pier F)

Size: 110 sq m (new shop incl. P&C concession)

Opening: December 2018



Germany

Location: Frankfurt Airport

(Bottega Veneta Boutique)

Size: 70 sq m

Opening: April 2018

EXTENDED CONCESSIONS



Russia

Location 1: Novosibirsk Tolmachevo Airport (Travel Value Shop)

Size: 300 sq m

Extension until: May 2023

Location 2: Samara Kurumoch International Airport

(Duty Free Shop)

Size: 780 sq m

Extension until: December 2025

Location 3: Samara Kurumoch International Airport

(Duty Paid Shop)

Size: 140 sq m

Extension until: December 2025

Location 4: Ekaterinburg International Airport Koltsovo

(Duty Free Shop)

Size: 800 sq m

Extension until: June 2026

Location 5: Ekaterinburg International Airport Koltsovo

(Duty Paid Shop)

Size: 600 sq m

Extension until: June 2026

Location 6: Nizhny Novgorod International Airport

Size: 120 sq m

Extension until: June 2026



SheremetyeWOW!

New shops delight passengers at Moscow's largest airport

Imperial Duty Free (IDF) has expanded on its already excellent position at Moscow's largest airport, Sheremetyevo (SVO), and extended its retail space from around 6,700 square metres to some 10,700 square metres. Ten new and four redesigned shops were introduced to the public on 25 September 2018. The Russian joint venture between Sheremetyevo Airport and Gebr. Heinemann opened the ten new shops in the airport's brand new Terminal B for domestic Aeroflot flights (Main Shop, Gate Shop, Arrival Shop, Fashion & Accessories and Watches & Jewellery (FA + WJ) Boutique, Max Mara, Hugo Boss, Paul & Shark, CK Underwear, Traveller Concept and Kids Shop).

In Terminal E, all four of the existing shops (Main Shop, FA + WJ Boutique, Swarovski and Kids Shop) were renovated in a four-phase process that was carried out during active operation. They feature completely new, open and clear designs. IDF was able to expand its retail space in the terminal by around 80 per cent by acquiring and integrating other retail shops. It also acquired the former Aerofirst shopping areas in Terminal F.

Confirmation of a successful partnership

"Imperial Duty Free has established itself as a reliable and competent Duty Free operator at Moscow's Sheremetyevo Airport since 2014, and we are very proud of our long-term, fair partnership with the airport. For us, the expansion of our joint travel retail operations represents a great confirmation of our entrepreneurial commitment in Russia, which we will continue to develop in future," says Claus Heinemann, co-owner of Gebr. Heinemann, on this important step for the company. In Gebr. Heinemann, Sheremetyevo Airport has found a partner with ideas that go far beyond the traditional Convenience/Core Duty Free concepts. Mikhail M. Vasilenko, General Director SVO Airport Management, emphasises: *"Gebr. Heinemann is an extremely dedicated, professional partner with a very long-term mindset. This is why we fit so well together and can work jointly and effectively towards the goal of shaping the future of Russia's largest and best airport. It is important to create holistic, tailor-made experiences for the respective target groups. The expertise and business relationships the partners bring to the table in their respective areas are helping us generate the best possible results."*



Claus Heinemann and Alexander Ponomarenko, Chairman SVO International Airport JSC



Clear walk-through shop drives sales

The shops in the renovated Terminal E are now much clearer and brighter and offer a broader range of products. The Main Shop for Perfume & Cosmetics (P&C) and Liquor, Tobacco & Confectionery (LTC) now follows the walk-through principle, which has considerably increased passenger interest. From the beginning phase, a marked rise in sales confirmed the effectiveness of the changes. *"We are recording very good growth rates per passenger in the walk-through shop,"* affirms Harald Sünner, Senior Area Manager Eastern Europe & Central Asia at Gebr. Heinemann. *"The penetration rate has increased by three percentage points, and the average spend per passenger by some 10 to 15 per cent."*

Tailored multi-brand shop concept for luxury brands

Since summer 2018, passengers have also been able to explore a completely new FA + WJ multi-brand concept. IDF now displays a selection of attractive luxury brands across an 800 square metre space. The design and atmosphere of the shop, with its diverse three-wall boutiques and see-through units, is inspired by the big department stores in the top global physical retail locations. The FA + WJ shop offers new brands as well as unique experiences that were developed from the ground up in collaboration with design agency Plajer & Franz. The "Diamond Pattern Concept" of shop design draws on the structure of gemstones to encourage and guide people through the shopping gallery. Select materials such as brass,



oiled white oak and Italian terrazzo stone emphasise the luxurious ambience of the design framework. Its appearance creates a clear distinction between Sheremetyevo Duty Free Heinemann and its competitors in the segment. The concept enables brand partners to bring their own custom furniture into the retail space. At the same time it offers plenty of flexibility to curate new themes at frequent intervals, keeping the spaces fresh and making shopping an experience. The project involved both long-term partners and newly acquired brands including Coach, MCM, Cartier and Hublot.

Terminal B: focus on domestic travellers

The futuristic design of the new Terminal B offers the perfect backdrop for the gallery of bright, open and contemporary shops and their attractive range of products for domestic travellers. Currency fluctuations in recent years have influenced the purchasing patterns of normally high-spending and luxury-loving Russian passengers. They have become more demanding and focused on price, and they compare prices with those on the domestic market. But the new concept in Terminal B has shown that domestic travellers are also prepared to shop before their flights, provided the offerings and atmosphere are attractive enough. The penetration rate has more than doubled since the opening as compared with the old domestic terminal. The new Fashion & Accessories brands are particularly well-received and compensate for the ban on alcohol and tobacco sales on domestic flights. *“Terminal B has been a great success for us,”* says Harald Sünner. *“The domestic market used to be rather difficult with a penetration rate of around 5 to 6 per cent. Today we are at 11 per cent. Our investment in more space and a better range has paid off.”*

High potential amongst Asian shoppers

SVO represents an important hub between Europe and Asia in Aeroflot's business strategy. For this reason, Asian passengers are a key target group in addition to Russians. Their willingness to buy, and an above-average spend per passenger, make them especially high-potential shoppers. At the same time, Asian customers are very price-focused and tend to compare Duty Free prices with alternative offers online, so attractive pricing must be the focus of the shops' offerings.

Outlook: more arrivals shops and Heinemann & ME

SVO is Russia's biggest airport and the base of Aeroflot, the country's largest and fastest growing airline, which sets extremely ambitious growth targets. The airport is contributing to this growth by building three new terminals, which will double its passenger capacity. The first of these new terminals is the recently opened Terminal B; the next (Terminal C1) is already under construction.

“Thanks to our joint venture partnership with the airport, we are extremely close to what is going on and can develop the best concept for the other new terminals, thus guaranteeing economic success. This is reflected in the growth plans for our joint company for the next few years,” says Claus Heinemann. In 2019 alone, the total area of IDF retail space is expected to grow to around 15,000 to 16,000 square metres. The company also sees excellent growth potential in opening further Duty Free Arrivals shops. In May 2019, SVO will join the Heinemann & ME loyalty programme, meaning that member passengers travelling through Moscow Sheremetyevo will be able to benefit from attractive online and offline offers along their entire travel chain.





WALKTHROUGH PRODUCE BREAKTHROUGH

Flagship store at Vilnius International Airport becomes a customer magnet

It is the centrepiece of the new shopping experience at Vilnius International Airport: the Heinemann Duty Free and Travel Value main shop, complete with a brand-new walk-through design, lighting and layout concept. Travel Retail Vilnius, a wholly-owned subsidiary of Gebr. Heinemann, opened the store with an official ceremony in October 2018 following a large-scale conversion project. The opening marks a milestone in a decade-long partnership with the Lithuanian capital's airport, which is used by some 4.8 million passengers each year.

The conversions followed the agreement of a six-year contract extension between Vilnius International Airport and Travel Retail Vilnius in early 2018. As well as the main shop, the project will also see all of the other Heinemann shops at the airport refurbished and expanded over the coming months. One renovated shop opened in the non-Schengen area back in July, and work to transform four further shops in the Schengen area is currently underway. Travel Retail Vilnius previously operated ten shops at the airport for Lithuania's capital city, covering a total of 1,060 square metres. Once the conversion project is completed in the first quarter of 2019, this will have expanded to 1,500 square metres.

"With this flagship walk-through shop, we have created a groundbreaking new shopping concept for Vilnius International Airport that has already seen high levels of customer footfall since its opening," says Igor Nudelmann, Senior Area Manager Eastern Europe & Central Asia at Gebr. Heinemann. The Heinemann Duty Free and Travel Value shop covers a total of some 850 square metres. Bernard Schlafstein, Sales Director

Eastern Europe & Central Asia, continues: *"The new shops signal our joint further development and are a great confirmation of our long-term and fair partnership."*

Laura Joffe, COO of Lithuanian Airports, adds: *"We appreciate this long-standing partnership, based on mutual understanding which has been successfully cultivated for more than 10 years so far and continues to grow. This partnership produces great results such as these, and we are sure it will help meet the growing needs of Vilnius Airport's travellers, both on the wider range of services and the variety of goods."*

"All-in-one" walk-through: the entire Heinemann world under one roof

In the new extensive walk-through shop, passengers can explore the entire Heinemann world under one roof, with a selection of perfumes and cosmetics, tobacco products, confectionery, spirits and trendy accessories from a number of brands beloved by passengers at the Lithuanian capital's airport. Travel Retail Vilnius is capturing the latest trends in categories such as Fashion & Accessories, and even offers passengers a children's corner with an expanded range of toys, and a new sunglasses area with an even larger selection than before. New brands such as Tumi, Furla, Calvin Klein, Wolford and Love Moschino complete the shopping experience. And the ever-growing number of younger passengers will be attracted to the shop's range of unique digital offerings.



Gunnar Heinemann, Laura Joffe (COO Lithuanian Airports) and Bernard Schlafstein (Sales Director Eastern Europe & Central Asia)



Focusing on local brands

Space for regional products has been expanded from 90 to 120 square metres. The presentation of popular local brands has played an important role for the airport in the past, and was a key demand in the contract negotiations. *“Local heritage, pride in the country's cultural history and its regional roots are a key part of the Lithuanian mindset. We give local businesses an international stage. Demand for regional products is strong and the range has been very well-received,”* explains Igor Nudelmann. As well as souvenirs, Lithuanian-produced accessories, toys, designer artwork and specialities from the Fine Food and Liquor categories are all proving to be very popular with passengers. The range's highlights include Lithuania's largest spirit manufacturer Stumbras, well-known wine producer Gintaras Sinas and handmade chocolates by Naive. The other three Heinemann Duty Free and Travel Value shops at the airport are also focusing on regional brands.

Fifty to sixty per cent of passengers are Lithuanian

Lithuania is a strategically important market for Gebr. Heinemann, since it forms the traditional bridge between Eastern and Western Europe, like all of the Baltic states. Lithuanians have also become keen travellers since the country joined the EU in 2004. They make up around 50 to 60 per cent of the passengers at Vilnius International Airport. As well as Lithuanians, Germans, Finns and the English are the strongest customer groups for the Heinemann Duty Free and Travel Value Shops.

Igor Nudelmann looks ahead: *“The airport expects to see passenger numbers rise by around five per cent annually, and it is working with the tourism marketing board to continue to develop Vilnius' image as an attractive destination for international visitors.”* The Gebr. Heinemann subsidiary Travel Retail Vilnius has invested heavily in this growing market over the past ten years, thereby cementing its strong position.





THE BURGUNDY OF THE EAST

*Excellent wines ensure steady growth for customer Dufremol
in the Republic of Moldova*

Booming wine tourism, Moldovan citizens being granted the freedom to travel to EU Member States without a visa in 2014, and the significant number of Moldovans who have now found work abroad as expats is driving constant growth in passenger numbers at Chişinău International Airport in the Republic of Moldova. Here, Moldovan Duty Free operator Dufremol operates a shop in the departures area that has expanded over the past two years to what is now a 1,200-square-metre space, a Duty Free shop in the VIP lounge and a Duty Free arrivals shop. Gebr. Heinemann's Eastern Europe & Central Asia Distribution department has supplied the company for the past 15 years, over which time it has become the department's largest distribution customer. The setup is that of a traditional third-party customer business, whereas the supply of larger airports such as Moscow Sheremetyevo or Moscow Domodedovo is carried out through joint ventures.

The small Republic of Moldova is home to one big treasure: wine. It produces more of it than Germany does. Its quality – Moldova lies on the same latitude as Burgundy – is highly praised by experts, and the country's more than 100 kilometre long underground wine depot is in the Guinness Book of World Records as the largest wine cellar in the world. This treasure has, until recently, been a relatively well-kept secret. But things are starting to change. The predominately agricultural country has begun a programme of promoting and developing its wine tourism industry. And it is having an impact. The number of people travelling from Europe to visit winegrowers and vineyards is growing, and many of them are landing at Chişinău International Airport.

Igor Nudermann, Senior Area Manager Eastern Europe & Central Asia at Gebr. Heinemann, knows that as well as this increasing interest in the country's wines, there are also other factors behind the airport's growth in passenger numbers. *"In 2014, the country signed an association agreement with the EU that enables its citizens to travel there without a visa. Plus, there is a remarkably large number of Moldovans working*



in Russia and Southern Europe who commute via the airport to their workplaces. The number of business travellers who work in the wine industry, for example, is also growing." These expats are responsible for a significant proportion of the country's GDP, as they tend to transfer the money that they earn back home for them and their families to spend. These positive economic developments are also benefiting the travel retail business at the airport in the country's capital, a country that is home to just over three million people and is considered one of the poorest in Europe.

An airport committed to expansion

Founded in 1995, Dufremol now employs more than 250 people and records annual sales of more than 37 million euros, making it the leading Duty Free operator in the south-eastern European republic. Dufremol is a subsidiary of airport operator Avia Invest, which is committed to expansion. The international commercial airport, located around 14 kilometres south of Chişinău city centre, serves around 2.7 million passengers per year (growing at a rate of around 10 per cent per year) and offers connections to key Western and Eastern European metropolises. It serves as a base for Air Moldova and Fly One, and is also an important hub for Wizz Air. In total, Chişinău serves some 20 carriers offering connections to more than 40 destinations, with Moscow the most popular of these. The flight time to the Russian capital is two hours, and it takes just fifteen more minutes to reach Berlin. A programme to expand the airport launched in 2015 will prepare it for an increase in capacity to more than 5 million passengers per year. As of late 2018, a second runway was still under construction.

The Dufremol-operated shops in the departures and arrivals areas were fully renovated between 2015 and 2018. In the arrivals shop, passengers can now find bestsellers in the LTC and Perfume & Cosmetics categories alongside a range of toys. Since the terminal expansion, the shop in the departure lounge has quadrupled in size from just 300 square metres to its current size of 1,200 square metres. *“The departure shop was redesigned with a walk-through concept, and its layout and range were continually updated over the next two years,”* explains Igor Nudelmann. *“Work was completed in June 2018. It now offers all product categories and exclusive brands such as Hugo Boss, Armani Exchange and Furla in the Fashion & Accessories category, and one of the largest sunglasses ranges in the CIS.”*

1,200
SQUARE METRES
OF RETAIL SPACE

New departure shop boasts

an impressive international range

Gebr. Heinemann's Eastern Europe & Central Asia Distribution department is the Duty Free operator's exclusive supplier. *“We are united by a deep and trusting relationship dating back some 15 years, during which time Dufremol has always been highly professional and open when it comes to development. The new departure shop boasts an impressive range on an international level, and we are seeing great interest in presenting goods here from many brand manufacturers – including from new and exclusive niche brands,”* continues the Senior Area Manager. Gebr. Heinemann Distribution department, whose mission statement is to make a lasting contribution to its customers' success and to create added value for them, also supports Dufremol with services such as training, shop design and promotion planning with suppliers.

“Our commitment to the airport is an investment in the future of this interesting market,” says Nudelmann. *“We recognised early on that both the economy and tourism are growing in the Republic of Moldova. Air travel forms a bridge between east and west. We know the target group of the passengers here very well, and in Dufremol, we have a customer that is committed to both maintaining excellent market proximity and developing to keep up with the times. For this reason, we still see plenty of potential ahead for this location.”*





HYGGER. FASTER. FURTHER.

Store of the future opens at Copenhagen Airport

The ambitious renovation of the Tax Free Heinemann main shop at Copenhagen Airport's Terminal 2 took just four months, despite being carried out with the store operating as normal. The official opening took place on 3 July 2018. The new 2,600-square-metre shopping experience now greets travellers with a design that draws on the "local sense" of Denmark, a considerably expanded range, a variety of digital offerings and a LookLab. Copenhagen is an important market for Gebr. Heinemann. Some 30.3 million passengers passed through Scandinavia's largest hub in 2018. So what did they think of the redesigned shop? *"We are very satisfied to see that the spend per passenger has increased. We even achieved record sales figures in the summer months,"* says Sören Borch, Director Retail Sales at Gebr. Heinemann. *"The renovation has also attracted a great deal of attention from around the industry. Representatives from international airports such as Sydney have been coming to visit the new shop."*

Local sense: Hygge Copenhagen Experience

More than ever, the company has focused on the "local sense" concept for the redesign. *"Our experience shows that travellers want to have a sense of the place they find themselves in. The city of Copenhagen is also a key metropolis for design, fashion and beauty trends, and therefore the perfect source of inspiration for us. That is why we chose a shop concept specifically tailored to the city and focused more heavily on the local sense of the area,"* explains Raoul Spanger, Chief Operations Officer at Gebr. Heinemann. Renowned Danish designer Johannes Torpe developed a concept that reflects three important aspects of Copenhagen: its close relationship

to nature, its sustainable "re-think" mindset and finally the "joyful feeling" created by its colourful, modern and exciting atmosphere. Together, these factors make up an inspiring environment for a unique shopping experience that reflects the city's famous "Hygge" culture. The Scandinavian word refers to an attitude to life that creates a sense of cosiness and activates the body's happiness hormones.



Promising "shop of the future"

To create something completely new takes careful planning and a sophisticated imagination. Before the renovation works began, the company held in-depth workshops with the airport and carried out customer surveys to determine where the shop's design could be optimised. As well as more prominent displays for travel exclusives, the Tax Free shop now also features new surfaces. The innovative category markers with free-hanging letters across the shop and numerous decorative pillars act as anchor points to help customers better orientate themselves. Together with the shop's modern look and feel, digital offerings add a new layer of appeal for the growing target group of the under-30s. *"Together with the airport, we have created the shop of the future in Copenhagen,"* says a confident Raoul Spanger.



A LookLab for the new target group

One highlight of the renovated shop is the LookLab. This is an independent area of the shop designed to showcase the growth category of make-up in an innovative and creative way. The concept is tailored to appeal to the millennial target group – the young travellers who currently make up around 30 per cent of passengers in Copenhagen. With trendy brands, personal services and digital attractions – such as interactive screens, make-up tutorials and a selfie photo wall – it offers plenty of exciting features for passengers to take advantage of.

Larger space – expanded range

Aside from this young target group there is, as always, plenty to appeal to all other age and customer groups at the Tax Free Heinemann shop – everyone from business travellers to bargain hunters. The main shop has been expanded by some 200 square metres, which has enabled the company to broaden its range considerably. New exclusive brands in the P&C category include Byredo, Atelier Cologne and Acqua di Parma. Jo Malone has also been added to the collection permanently following a successful test phase in the “Brand Box” promotional area. The Tax Free shop now also offers even more niche brands that cannot easily be found elsewhere, thereby meeting customer demand for differentiation and customisation. New brands such as IQOS e-cigarettes have been brought into the Tobacco category, and Gebr. Heinemann is also testing its new “Healthy Snacks” range in the Tax Free shop.



Positive customer feedback and changes to the shop

“The feedback we have received from customers regarding the redesign has been positive. The fragrance area in particular is developing very well with its expanded range,” says Sören Borch. “We recorded double-digit growth in the summer. With the LookLab, we have created a new and unique approach to the make-up category, and we are now working on developing it further. Here, we can see in detail how the customer feels about the concept. The digital ‘whirlwind’ is very successful. We also have corrected the shop’s check-out system from a single queue that feeds all twelve tills to one queue per till. One challenge we still face is low-cost passengers and city travellers with a small budget. For these target groups, we are focusing on regional products, trying things out and making adjustments. We believe that a good proportion of our future growth will come from the regional range.”

New contract period with CPH

The new concession contract between Gebr. Heinemann and Copenhagen Airport came into force on 1 March 2018. Following the expiration of the original contract period, the agreement was extended for a further five years in April 2017. This is the second time the contract has been extended since Gebr. Heinemann began operating the Tax Free shops at the airport of the Danish metropolis and therefore demonstrates the mutual trust between the two parties. The renovated main shop is one of six Tax Free shops that Gebr. Heinemann Retail ApS operates at Copenhagen Airport. The airport is currently investing heavily in further expansion that will enable it to serve around 40 million passengers per year in future. New flights to and from Asia with carriers such as Cathay Pacific and Air China are bringing important target groups to Copenhagen. As part of the terminal expansion, Gebr. Heinemann also plans to create a new, even larger main shop.

**30.3
MILLION
PASSENGERS**

**SIX
TAX FREE SHOPS**

**2,600
SQUARE METRES
OF NEW SHOPPING EXPERIENCE**



A BOND WITH JAMES

*Joint venture between Gebr. Heinemann and
James Richardson benefits Tel Aviv retail*

“We’re getting there, but we still have to rethink a number of areas,” says Richard Hoyer, Director Global Subsidiaries at Gebr. Heinemann and Project Manager for Tel Aviv, describing the first year of the company’s partnership with James Richardson at Ben Gurion Airport Tel Aviv. The two companies created the joint venture JR-Heinemann Duty Free Limited Partnership in 2017 with the aim of further expanding the Duty Free business at the airport from 1 January 2018.

Tel Aviv is the third-largest site for Gebr. Heinemann by sales volume behind Istanbul and Oslo. *“At more than 400 million US dollars, we are on budget and our expectations have been fulfilled,”* says Richard Hoyer. The venture was intended to supply the airport’s shops with significant proportions of the Perfume & Cosmetics, Spirits and Confectionery categories from the end of 2018.

Internal processes require adaptation

“This requires some reorganisation on our part. In Tel Aviv, we have a partner with similar structures to our own. James Richardson is also a family company that works in precisely the same business as Gebr. Heinemann,” says Richard Hoyer. *“Our previous joint ventures, for example in Frankfurt and Oslo, have been with airports, retailers or investors, so it was generally clear that fields such as logistics, purchasing and category management would be covered by us. Here, that is not the case. The Purchasing departments have to work closer together and communicate with one another, tasks have to be shared and internal processes adapted.”* Gebr. Heinemann brings its extensive operative expertise through its presence in numerous European and international markets into the joint venture. *“But no-one knows the Israeli travel retail market better than James Richardson,”* explains Hoyer. *“We had to get accustomed to the market, and certain factors have emerged that we hadn’t paid close enough attention to initially.”* First, Tel Aviv Airport has a unique passenger structure. Some 70 per cent of its travellers come from Israel, with the remaining 30 per cent being tourist passengers (i.e. non-Israelis, predominately Europeans). *“Ben Gurion serves over 17 million passengers, which is very high when you consider Israel’s population of 8.7 million,”* continues the Director Global Subsidiaries. *“This means that each individual flies very often. So we have to react much faster to domestic drugstore offers. The passengers know exactly what the offers are. We need the local expertise to steer the purchasing processes. It is vital here – far more so than with other joint ventures.”*

Reacting to the market

Another factor is that while the spend per passenger amongst Israeli customers in the airport shops is dropping, it remains three times as high as for other passengers. *“With a significant share of Israel’s entire perfume and cosmetics market, which is much more important here than it is in other countries, we have to keep an even closer eye on the competition. Sometimes we have to react right at the start of the month with things like three-for-two offers,”* explains Richard Hoyer. This also means having faster access to goods through local suppliers. *“Of course, we still try to source as much as possible via our logistics centre in Hamburg-Allermöhe.”*



Utilising local expertise

The second half of the year was therefore spent on drawing consensus. *“We learnt to understand this market differently and adapt our supply lines,”* summarises the Project Manager. *“We relate to our partner differently and use its local knowledge to our mutual benefit. I would therefore characterise 2018 as a learning year.”*

Looking ahead to 2019

Plans are in place to expand Terminal 1 due to a growing proportion of passengers in the low-cost segment. The main Duty Free shop will also be renovated at the end of the year. *“Internally, we still have the challenge of employing a COO for Gebr. Heinemann in Tel Aviv,”* says Richard Hoyer. *“We are now ready. We have had to reorganise, break down structures and learn to think differently, but we are moving forward.”*



Richard Hoyer, Director Global Subsidiaries



GREEN LIGHT AT THE BLACK SEA

Gebr. Heinemann and Unifree open shops at Istanbul Airport

Since its official opening Istanbul Airport has been impressing passengers and visitors with its architecture. *"We are delighted. The high ceilings convey a previously unknown feeling of space and the design of the new shops are a fantastic reflection of this,"* says Pia Schlottmann, Project Manager at Gebr. Heinemann, putting her impressions into words. She is particularly impressed by the specially developed furniture, which gives Istanbul's 21 Duty Free shops a new lightness, and by the digital shop facade: *"Over a length of 130 metres, we create visual interest that passengers perceive very directly and which draws them into the shops operated by Unifree."* Heinemann supplies the Duty Free shops with international goods, while Unifree purchases the local goods. The bazaar, another architectural gem and flagship of Turkish business culture, is operated by ATÜ Duty Free, part of Unifree holding.



16,000 m³ storage space, 23,000 different articles

Below the shop world lies the impressive logistics world: to ensure initial delivery, 50 trucks drove from Hamburg and Erlensee to Istanbul; another 45 will be sent to fill the storage areas. Together with its colleagues from Unifree, Heinemann Logistics has developed and put into operation a total of 16,000 cubic metres of storage space. The available storage space is divided into three differently sized warehouses and comprises over 23,000 different items. 42 storage lifts are in operation to make efficient use of space and to meet the requirements created by fire protection regulations, the building geometry and the products. All logistical processes are controlled by the SAP-EWM warehouse management system. Employees already began learning to use the new systems during the first two opening phases of Istanbul Airport. Intensive training was also carried out at the cash desks; ATÜ even enabled training under realistic conditions in full operation at Atatürk Airport. The follow-on from the successful cooperation between Unifree and ATÜ is a plan to take over about 80 per cent of the ATÜ sales staff working at Atatürk Airport.

All customer wishes and price segments are covered

Alongside the extensive range of Duty Free offers under its own management, in Center & Lease Management it is all about retail in cooperation with the Food & Beverage offer at the airport. A prospective total area of 53,000 square metres is available for retailers. Rental agreements have been signed with over 70 operators and brands such as Louis Vuitton, Dior, Hugo Boss and Prada. In addition to the brand shops Bottega Veneta, Gucci and Saint Laurent Paris, which are directly operated by Unifree, the subsidiary ATÜ Duty Free will be the largest single tenant of Unifree's Center & Lease Management with over 25 shops and marketplaces. After completion of all villages, ATÜ will operate the two bazaars as well as mono- and multi-brand shops from the luxury, premium and mainstream segments. One highlight will be the multi-brand luxury concept for Watches & Jewellery with top international brands developed by Gebr. Heinemann. *"In this constellation, Istanbul Airport offers a brand and operator mix that covers all customer wishes and price segments and, with 17,000 square metres of sales space, is unparalleled in the airport world,"* explains Jens Degner, Director Business Development. The core team of Gebr. Heinemann, which is responsible for Istanbul Atatürk, will in future take over the day-to-day business for the new airport. This not only ensures continuity in Istanbul, but also in Hamburg. Twenty years after the joint venture between Gebr. Heinemann and Unifree in Turkey began, for at least 25 years (as this is how long the contract for operating the retail space lasts), this partnership will have a new home: Istanbul Airport.

Hoşgeldiniz – Welcome!





A FINE FUTURE FOR FINE FOOD

*Tasteful promotions for Fine Food and Jägermeister
in the event shop at Munich Airport*

The largest promotional space at Munich Airport measures 35 square metres. It is located in Terminal 2 outside the Duty Free shops and is operated by Eurotrade Flughafen München Handels GmbH, the retailer at the Bavarian capital's airport and long-time distribution customer of Gebr. Heinemann. In spring and autumn 2018, the Hamburg-based trading house and selected suppliers staged two spectacular promotions for its customers, which transformed the event space into a shopping experience. In May and June international Fine Food was the attraction, and then, around the Oktoberfest in September and October, Jägermeister with special editions. This created a surprise for the passengers at Munich Airport as well as added value for the distribution customer Eurotrade.

Fine Food: “Taste the World” pilot project

Under the motto of “Taste the World”, the promotional area presented itself as an exclusive multi-brand space for Fine Food for the first time in the summer. The range included healthy olive oil, exotic spices, finest salami and classy cheese specialities, as well as exquisite chocolate, selected nuts and macaroons. The event shop itself boasted a suitable Mediterranean-style, old town ambience, with inventive decorations created from natural stone, a great deal of wood and countless lovingly crafted market stalls. In its own retail shops, Gebr. Heinemann has already been very successful at establishing Fine Food. The distribution customers are able to benefit from this experience and extensive expertise. *“We want our airport distribution clients to allocate more space to Fine Food in their shops. This category is a promising additional source of business with considerable potential, and it is distinctly different from the rest of the range without forcing other products to compete. Fine Food and the conventional range complement each other perfectly,”* says Carolin Becker, Area Sales Manager Airports Europe at Gebr. Heinemann.

Oliver Hein, Category Sales Manager Airports Europe, led the “Taste the World” pilot project which was designed and implemented in close cooperation with Sales, Purchasing, Visual Merchandising and the advertising agency Terrahe, as well as Eurotrade and the suppliers for the product group. He reports that what was particularly attractive for travellers, namely the presentation of different brands under one collectively themed roof, posed particular demands on Gebr. Heinemann. *“We wanted to offer customers to the Fine Food shop a versatile, attractive product range which was tailored to the passenger profile at Munich Airport, all centred around the theme of indulgence and gourmet foods. This is why coordinating the various brands and their individual standards was of enormous importance from the start,”* says Oliver Hein. *“During the promotional period, the theme of tastings played an important part in the shop itself. With the tastings, the intensively trained sales staff awakened passengers' interest in the great products and explained the stories behind them.”*



The passengers at Munich Airport were surprised and enthused by the elaborately designed promotion and turned the Fine Food event shop into a complete success. *“The ‘Taste the World’ promotion was ideally suited to our location. We were able to transform this category into an experience for travellers, and help them discover more Fine Food. And we are pleased to have implemented this in partnership with Gebr. Heinemann,”* says Nils Schirmer, Head of Purchasing at Eurotrade. The Fine Food range is now also being expanded in the other Travel Value & Duty Free shops, which Eurotrade operates at the airport. After the very good feedback at the first Fine Food event shop, Gebr. Heinemann is also planning to stage this concept in spring 2019, at Bucharest Airport.



Oktoberfest promotion with Jägermeister

In September and October, Jägermeister, Gebr. Heinemann and Eurotrade celebrated the Oktoberfest at the large event space at Munich Airport's Terminal 2. A real first, since it was the first promotion of the world-famous herb liqueur brand in an out-of-store space. The high publicity brand promotion combined the themes of Oktoberfest and “Manifest”, the name of the super-premium herb liqueur by the spirits producer. Promoters in Bavarian lederhosen and Jägermeister shirts encouraged the air passengers to discover the brand world of Jägermeister and offered tastings of the classic spirit, which was of course chilled at minus 18 degrees, as well as Manifest. They also looked after the wheel of fortune which beckoned the shoppers with Jägermeister shots and mini beer mugs as prizes.

The classy black, gold and green of the event shop attracted attention amongst others with a display of traditional musical instruments and an oversized, stylised stag, the brand's emblem, where customers were able to buy not only Manifest and the classic version of the herb liqueur but also a travel retail exclusive only available at Munich Airport: the Jägermeister Munich Edition – a perfect souvenir for themselves or a great gift. Oliver Hein, who was responsible for the project as Category Sales Manager for Gebr. Heinemann, summarises the successful campaign: *“Both family-owned companies Mast-Jägermeister and Gebr. Heinemann have been working closely together for many years and we are delighted to have implemented an exceptional promotion here. The Jägermeister event shop has wowed the passengers and given them an additional special memento of Munich. We are very happy with the great feedback.”* The sales result underlines this in figures: during the promotional period, Eurotrade recorded increased turnover of 65.7 per cent for the Jägermeister brand compared to the previous year in the Duty Free shop.





NEW MARKETS – NEW OPPORTUNITIES

*Heinemann Asia Pacific –
specialists with regional responsibilities*

WE ARE INTEGRATING OURSELVES EVEN DEEPER INTO THE MARKET

Profitable growth will benefit the company and staff

2018 was a year full of firsts for Heinemann in Asia Pacific. The Singapore-based Gebr. Heinemann subsidiary's first step into cruise retail, on board the Carnival Spirit in June, was followed a few days later by the grand opening of the eight Sweet Dreams by Heinemann shops at Hong Kong International Airport. This move represented both the company's entrance to the retail market in Hong Kong and its first single category confectionery concept. In October, operations also got under way at Gold Coast Airport in Australia.

Following Max Heinemann's move to the executive team at the Gebr. Heinemann headquarters in Hamburg, Marvin von Plato, previously Director Sales & Business Development at the subsidiary, was named Chief Executive Officer (CEO) of Heinemann Asia Pacific. He now leads the company, which was founded in 2010 and now employs over 800 staff in more than 10 markets, alongside Singaporean Audrey Tay, who has been Chief Financial Officer (CFO) since 2013, and Johannes Sammann, former Managing Director of Frankfurt Airport Retail, the company's Chief Operating Officer (COO). The team was completed at the start of 2019 with the addition of Maik Nimrich, former Head of Categories at Heinemann Australia, as Chief Commercial Officer (CCO).

Heinemann offers the best fit for every market

"Heinemann Asia Pacific has now reached a size where we can say that we have arrived, that we have a presence. We are now in a phase of integrating ourselves even deeper into the markets. We are strengthening existing partnerships and plan to develop new ones within the industry," explains Marvin von Plato. "In 2018, we showed that we have a wide range of outlets and services – from Duty Free airport retail as in Sydney and Kuala Lumpur to concept shops like Sweet Dreams by Heinemann, cruise retail on board the Carnival Spirit and distribution. We offer the best fit for every market and its customers and landlords."

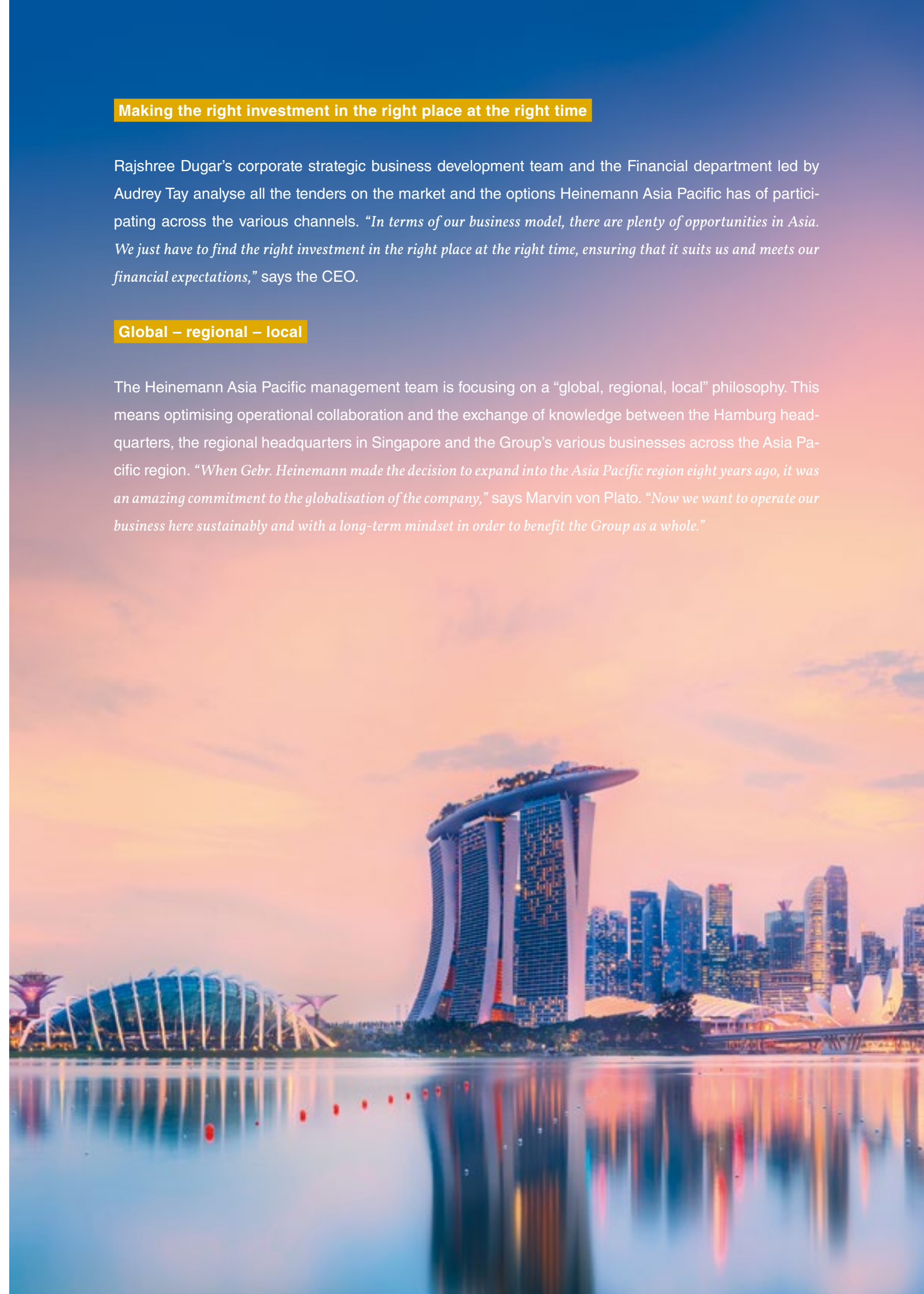
In the eight years since it was founded, Heinemann has developed into a fully-established operator in the Asia Pacific region. The business is achieving particularly strong growth, and this solid foundation is now creating a base for further development. *"In our next step, we want to focus on the sustainability of our activities and expand on them,"* says Marvin von Plato. *"Always with the objective of generating profitable growth, for the entire company and for our staff, each of whom should be able to follow a clear career perspective. Therefore we invest in staff development."*

Making the right investment in the right place at the right time

Rajshree Dugar's corporate strategic business development team and the Financial department led by Audrey Tay analyse all the tenders on the market and the options Heinemann Asia Pacific has of participating across the various channels. *"In terms of our business model, there are plenty of opportunities in Asia. We just have to find the right investment in the right place at the right time, ensuring that it suits us and meets our financial expectations,"* says the CEO.

Global – regional – local

The Heinemann Asia Pacific management team is focusing on a "global, regional, local" philosophy. This means optimising operational collaboration and the exchange of knowledge between the Hamburg headquarters, the regional headquarters in Singapore and the Group's various businesses across the Asia Pacific region. *"When Gebr. Heinemann made the decision to expand into the Asia Pacific region eight years ago, it was an amazing commitment to the globalisation of the company,"* says Marvin von Plato. *"Now we want to operate our business here sustainably and with a long-term mindset in order to benefit the Group as a whole."*





**“TIMES COULD NOT
BE MORE EXCITING”**

*An interview with the management team of
Heinemann in Asia Pacific*

Marvin von Plato, CEO Heinemann Asia Pacific

On this morning in early December 2018, the large floor-to-ceiling windows of the meeting room at the regional headquarters of Heinemann in Singapore offer a perfect and long-distance view over the business district of Kallang. There is a buzz from the open-plan office coming through as the door opens and the management team gathers around the conference table. Marvin von Plato, CEO, Johannes Sammann, COO, and Audrey Tay, CFO, are here to talk about an exciting and eventful 2018 and to give a comprehensive update on the Heinemann business in the Asia Pacific region.

What were the most important topics and highlights of 2018?

Marvin von Plato: “Beside the business results – I think that Johannes joining us in Singapore in April 2018 has had an impact on the entire year. We formed the management team in 2018 together with Audrey. Looking ahead: Maik Nimrich coming to the regional headquarters at the beginning of 2019 as Chief Commercial Officer, complements and rounds off our structural organization. With Maik joining the team we are also streamlining our ways of working within Purchasing and will be moving the Purchasing department from Sydney to merge it with the existing team in Singapore. This is a big project that will take place over a transition period of 24 months. Category Management as well as the procurement of locally listed products and brands will remain in Sydney. In view of Heinemann’s growth in the Asia Pacific region we have to prepare our organisational structures for the future and furthermore fine-tune our ways forward to serve each of our markets best. We also seek to achieve the right mix of acting as a global power house with clear regional responsibilities, also taking into account the importance of local market knowledge. From global to regional to local – we further streamline our structures to be more efficient and ready for constant growth in the future.”

Johannes Sammann: “As far as our operations are concerned, the opening of Sweet Dreams at Hong Kong International Airport was a key event and important for the organisation, as was the opening at Gold Coast Airport. The

business with Carnival Cruise Line, CCL, is also of great significance, because cruise retail is something we haven't done in the region before. And of course our joint venture with DFZ Capital Sdn Bhd, DFZ, desires a high level of cooperation to constantly deliver good results."

Which were your primary areas of growth?

Audrey Tay: "We closed 2018 with close to 500 million US dollars in sales. That is a growth of approximately 25 per cent on 2017, which includes the new businesses in 2018. As in the Heinemann headquarters in Hamburg, Heinemann in Asia Pacific has two business models: distribution and retail. Due to our opening of Sweet Dreams at Hong Kong International Airport as well as the strong performance of our existing businesses at KLIA2 and Sydney, we were able to grow our sales significantly."

For the existing distribution businesses, we do also see increase in our sales volume including Malaysia, Indonesia, Macau and Myanmar. Despite challenges within the macroeconomic environment of the Malaysia-Thai markets, we are generally satisfied with our performance in Malaysia via our largest distribution customer, DFZ."

How do you work together as the new management team?

Marvin von Plato: "We all represent different core strengths personally and in our functions, forming a diverse and strong team. Audrey and I have already worked together for four years. It is great to now have Johannes on board as well, looking

after sales and marketing from China to Australia and India to Japan. Not only has this further strengthened our management team for the region, but having the former Co-Managing Director from Frankfurt Airport Retail coming to Singapore shows that the Asia Pacific market is becoming more and more important for Heinemann."

Johannes Sammann: "We are three very different characters from different backgrounds, complementing each other nicely. I really appreciate the way we are working together and I am looking forward to having Maik Nimrich on the team. He will be a perfect fit, bringing in yet another personality and background."

Audrey Tay: "We have adapted to each other very quickly. Always of high importance is the level of openness we maintain with each other. That is what makes us tick and that is also the kind of culture we want to bring across to our team at Heinemann in Asia Pacific."

Marvin von Plato: "Yes, openness is very important. We are focusing on the development of our staff constantly and are aiming to maintain a positive, open and respectful culture in which everyone feels confident in challenging the status quo. Leaving our comfort zone to experience a steep learning curve is important in order to prepare ourselves in the best possible way for future challenges."

Speaking of the team: how big is it?

Marvin von Plato: "There are about 100 on the team in Singapore now. Due to the growth we are experiencing in our business, that is of course ever-changing. Throughout the whole Asia Pacific region, Heinemann employs over 800 people. That also documents what has been achieved in the region over the past eight years."

Audrey Tay: "From our regional headquarters here in Singapore, we are serving more than 10 different markets with different requirements. That is why the regional office is important: we are the specialists for Asia Pacific."

How would you describe the recognition of Heinemann in Asia Pacific eight years after it was established?

Marvin von Plato: "Heinemann has fully arrived in Asia Pacific and is recognised within the industry here. We have left the phase of starting up the business and are now integrating even more into the different markets in the region, underlining our goal of further expansion. In addition to this, we have managed to transfer the Heinemann values and the way we work into the region. That was only possible because we act as a global team with great support from our Hamburg headquarters, a very close exchange with Heinemann in America and of course the strong commitment of everybody at Heinemann in Asia Pacific."

How has business developed over the years and how satisfied are you with the current year?

Audrey Tay: "We started from zero, setting up the basic infrastructure and making ourselves known in the region over the first two years. Then we started building on that, expanding into new markets and gaining volume. As of years three to four, we were beginning to streamline our activities. The past two years have been another important milestone because of our joint ventures with DFZ and PT Dewataagung Wibawa, trading as Plaza Bali. This came one year after we opened Heinemann Duty Free in Sydney. We are satisfied with 2018 and will continue to focus on profitable growth and cost efficiency."

Marvin von Plato: "Growth not only in financial terms. We also always focus on providing that growth to our employees. That is what the Heinemann way is about: a transparent perspective for the staff while growing profitable and optimizing ourselves as an operator."

What are the characteristics of the Asian Pacific travel retail market today?

Johannes Sammann: "Asia Pacific is a region of big growth – very much influenced by China's economy. This of course also has an impact on the travel retail industry."

Is the region still an "ideal world" for Duty Free or will business models have to change?

Johannes Sammann: "I think that the line-up of our competitors in the region clearly shows the potential of the market. Generally speaking, yes, it still is an ideal world for Duty Free. In the Asian market there is a lot of buying power and a huge agility as well as a willingness to quickly adapt to consumer demands, especially when it comes to online gadgets, tools, apps, etc. There is a lot of creativity in the market to try out new concepts. I don't think that the Duty Free model will have to change in essence, but there is a bigger willingness to join forces with other companies to bring online and offline activities together. I think that at Heinemann we are well prepared to face this competition as we have the tools and infrastructure for this business channel in place. So we are on the right track but, as technology is evolving fast, we will need to ensure our organisation is developing at the same speed."

Marvin von Plato: "It is extremely important to always monitor the direction in which the industry is moving. We are acting within a quickly changing environment and that's why we have to analyse the areas of attractiveness and importance carefully and fast to constantly further develop our business model."

How are you viewed by the airport landlords?

Johannes Sammann: "I believe they appreciate that we treat them the Heinemann way. We maintain close relationships with the airports, and we listen to their ideas and needs. As long as profitable growth is sustained, we are prepared to invest in existing locations, to improve stores and operations. Sydney is one example for that. In essence, we deliver what Heinemann is globally known for and thus are also recognised as a reliable partner here in the region."

Audrey Tay: "Our retail outlets showcase what Heinemann can do. If you want to see a full Duty Free offer you will find that at Sydney Airport, if you want to see a concept, there is Sweet Dreams in Hong Kong or be Duty Free in Malaysia."



Audrey Tay, CFO Heinemann Asia Pacific

Which are the core markets you are active in?

Audrey Tay: “Australia, Malaysia, Macau, Hong Kong, Indonesia, Myanmar, Vietnam and the cruise channel. Australia and Malaysia form a substantial part of our business. In 2018, Hong Kong was only a partial year, so these figures may change for 2019.”

How is Sweet Dreams by Heinemann performing? Will it be replicated at other airports?

Johannes Sammann: “The shops look exactly like the renderings. That is a great achievement, because normally a lot gets lost in the practicalities. We really found a new approach to how confectionery is displayed and for Heinemann this is also a new approach to a single-category store, and we are happy with the execution. We are on track, constantly getting better in

our daily business and our results. The shops are greatly appreciated by the airport operator and give us a great insight into Hong Kong as a retail environment. This was a tailor-made approach and while the option of bringing the concept to other airports was never ruled out, Sweet Dreams wasn’t initially designed for that. We might do that as we see it fit – or we might not as we develop something new.”

Will you venture further into the Chinese market?

Marvin von Plato: “China is a very big and interesting market and Chinese tourism worldwide has a big impact on the Duty Free business. Whenever an opportunity is coming up, we will analyse it and decide whether this would be the right step at the right time.”

You opened Heinemann Duty Free at Gold Coast Airport. How is the new location performing?

Johannes Sammann: “The soft opening was in October where we took over the existing Arrival and Departure shops. The Arrival Shop was rebranded and some additional furniture was brought in whereas in Departures, we had some refurbishments carried out which were completed by mid-December. The performance in Arrivals was up to expectations from the beginning and Departures has been performing well after the refurbishment was finished. Now we will fine-tune our assortment and our offers to further increase our results for the next two years until the Airport has finished its Terminal extension. From then on we will operate in newly shaped shops with a completely new design.”

What is the significance of the Australian market to Heinemann?

Marvin von Plato: “Looking at the history of Heinemann in the region and our fantastic presence with Heinemann Duty Free at Sydney Airport, it is clear that Australia has a very high significance for us as a market. We have a great team there, representing Heinemann in the best possible way and they played a big part in establishing the Heinemann brand in the Asia Pacific region. Wherever we see a chance for profitable growth in Australia we are interested. We entered this country with a long-term perspective – therefore it is our plan to stay in this market and keep the presence we have today.”

Johannes Sammann: “And Sydney also provides us with great knowledge of the spending behaviour in the region.”

Can you apply your experiences there to other markets in the region?

Johannes Sammann: “In general, yes, due to the customer base that Sydney has: it is the main destination for Australians coming home and for Chinese and other nationalities flying there. So with the passenger profile the airport has there are of course insights to be gained. That



Johannes Sammann, COO Heinemann Asia Pacific

doesn't mean that the Australian market provides us with a specific answer to the requirements of each and every market in the region, but it gives us insights into what might or might not be working in other markets.”

Marvin von Plato: “Every market, every distribution customer and every retail door is enhancing our knowledge about customers with different nationalities and their spending behaviour. So every year we are getting better at pinpointing the ideal assortment for the specific mix of passengers at any given market place.”

This year saw the premier of Heinemann in Asia Pacific as a retailer on board the Carnival Cruise Line. How satisfied are you with that and do you plan to expand into that line of business?

Johannes Sammann: “Our first approach at the cruise business in the region was as a distributor but Heinemann had never operated as a cruise retailer in Asia Pacific before, so that was a steep learning curve. Cruise retail can of course be considered a part of travel retail, because passengers are travelling, but the environment is completely different to that at an airport. Passengers are spending five to eight days with us. That means we have several touchpoints and must be very agile in terms of activities and assortment on board. We see growing results from cruise to cruise, but we will have to further improve. I believe that is a fair judgment after the first six months and I see us being on track to become experts in cruise retail within the next six months. Leveraging the cruise knowledge that Heinemann has acquired in Europe and America plays a vital role. The key



Audrey Tay (CFO), Johannes Sammann (COO) and Marvin von Plato (CEO)

cruise account for the vessels we are operating in the region lies in fact with Heinemann Americas in Miami and we are cooperating closely with them.”

What are the main challenges in the Asia Pacific region and the market today?

Marvin von Plato: “One of the main challenges is to constantly adapt to the market environments of the various countries in the region. Each country has very different challenges, for example constant political changes. There are also strong local players looking for more international exposure. That is a fair competition we are willing to enter. It is important to focus on the right business opportunities in line with our defined strategy. The change in global politics and how certain nations are changing the trading environment is making our business less predictable.”

Audrey Tay: “Additionally, currency fluctuations remain a challenge for our regional business. Political changes resulting in changes in the duties and tax regulations also have a direct impact on our business.”

And to conclude: which are your strategic goals for the Asia Pacific region?

Marvin von Plato: “Looking back on the past eight years and how we are established in the region today, I would be happy to see that the next eight years are equally successful as the first eight. Building on our achievements and learnings, investing in our people and our core markets, identifying areas of growth and profitability as well as establishing the right partnerships – that is what should keep us successful here in the region. It couldn’t be a more exciting time; a lot of opportunities are available – we just need to identify the right ones at the right time.”

China
China

Hong Kong
Hong Kong

Myanmar
Myanmar

Johar Arifin Baki,
General Manager,
Heinemann Duty Free Malaysia

Malaysia
Malaysia

Singapore
Singapore

Indonesia
Indonesia

Australia
Australia

Victor Chan,
General Manager,
Heinemann Hong Kong

Alexander Maas,
General Manager,
Heinemann Duty Free Malaysia

Maik Nimrich,
CCO, Heinemann Asia Pacific since
January 2019; in charge of Purchasing,
Supply Chain and Compliance

Richard Goodman,
Managing Director,
Heinemann Australia



READY TO GROW

Successful joint venture between DFZ and Heinemann Asia Pacific

The joint venture between DFZ Capital Sdn Bhd (formerly DFZ Capital Berhad) and Heinemann Asia Pacific had a good 2018, achieving growth in spite of the challenging economic climate in Malaysia. Making up the majority of Heinemann Asia Pacific's total distribution sales, DFZ is the Singapore-based company's biggest distribution customer. It is a subsidiary of Malaysia's largest multi-channel Duty Free operator DFI and operates border shops between Malaysia, Thailand and Singapore, as well as Duty Free airport shops. Heinemann Asia Pacific holds a minority share of 15 per cent in DFZ and is actively involved in its strategic and operative activities, with Andreas Winnen as CEO. Max Heinemann and Marvin von Plato, CEO of Heinemann Asia Pacific, are both on the Board of Directors, and DFZ has three representatives on the Board. Despite the persistently difficult situation on the border crossings between Malaysia and Thailand, Heinemann Asia Pacific managed to achieve satisfactory growth with its distribution customer in 2018.

Marvin von Plato: *"We are satisfied with the financial developments and work very well together. The Malaysian market has excellent potential. DFZ is very important to our organisation in the Asia Pacific region. We have learned a lot about the market and how to operate in such a large Asian joint venture. This partnership has helped us to develop as a company and considerably strengthened our market position in the Asia Pacific region. We would like to continue building on this successful relationship and have worked with DFZ this year to set clear growth objectives."*



DFZ Capital Sdn Bhd Facts and Figures

OPENING OF THE FIRST DUTY FREE SHOP:

1978 at Penang International Airport

SHOPS IN TOTAL:

37 Duty Free Shops
*i.e. at airports, borders, in city centres,
sea ports and Duty Free Zones,*
5 Duty Paid Shops *at airports*

CORE MARKET:

retailing of Duty Free and non-dutiable merchandise in Malaysia

770
employees



SHAREHOLDERS:

85% Duty Free International Limited,
15% Heinemann Asia Pacific PTE LTD



NEW ARRIVAL IN ARRIVALS

*Gebr. Heinemann supplies new arrival shop
at Jakarta International Airport*



Plaza Bali opened the first arrival shop at Jakarta International Airport in January 2019. The Indonesian Duty Free, retail and F&B company is Heinemann Asia Pacific's second-largest distribution customer. Heinemann has been supplying Plaza Bali's shops in Terminals 2 and 3 at Jakarta International Airport with Liquor, Tobacco, Confectionery & Fine Food as well as Fashion & Accessories for the past three years, and will now also supply the arrival shop in these categories. Heinemann Asia Pacific is delighted to continue its expansion into the Indonesian travel retail market in collaboration with its customer Plaza Bali.



KING OF QUEENSLAND

Heinemann Tax & Duty Free successfully opened at Gold Coast Airport



At 5.30 a.m. on 22 October 2018, just as the sun was rising over the popular holiday and surfing destination, Heinemann Tax & Duty Free opened its doors at Gold Coast Airport. The soft opening of the new departure and arrival shops was followed not only by an impressive first few weeks, but also a further renovation phase during normal operations that was completed in mid-December. Now the two stores have the right look for the next two years. The completion of a further expansion programme at the terminal in 2020 will see them allocated even more space and refitted with a brand new design. This is Heinemann's second location in Australia after entering the market in 2015 and opening the world's largest stand-alone airport Duty Free shop in Sydney in 2016.

Gold Coast Airport is the gateway to one of the country's most popular travel destinations. Long beaches, surfing hotspots and national parks draw countless domestic and international tourists to the South East Queensland coast every year, so it's no surprise that the airport is one of the country's fastest growing. More than 6.5 million passengers pass through it each year, with numbers expected to rise to 16 million by 2037. A comprehensive programme of expansion is currently under way to ensure that the airport can continue to meet this rising demand. Low-cost international airlines make up the majority of air traffic at the Gold Coast Airport. There are also long-haul flights to and from destinations in Hong Kong, New Zealand, Malaysia, Japan and Singapore.

Acquisition and soft opening

Heinemann Australia, a subsidiary of Heinemann Asia Pacific, won the tender for one departure and one arrival shop at the airport at the end of 2017, securing a seven-year contract. The spaces were taken over from previous operator Aelia Duty Free on 21 October 2018. *"We converted the two shops to the Heinemann brand overnight from 21 to 22 October,"* reports Johannes Sammann, Chief Operating Officer (COO) of Heinemann Asia Pacific. *"A team of 90 comprising Heinemann staff, airport representatives and service providers worked right through the night. It was a great team effort. We positioned furniture, installed our checkout systems, sorted and priced the products, replaced the advertising and much more besides."* But the COO adds that this was just an interim solution. For example, the existing furniture was largely reused, with some additional Heinemann stock brought in. In the departure shop in particular, further construction work was carried out over the following weeks, without interruption to the store's operations. The updates were completed in mid-December, when an official opening took place. *"Over the next two years, we will run these shops with their current architecture in order to achieve the best possible results while the airport is being renovated. Once the terminal expansions are completed, we will gain additional space and present a brand new shop design,"* continues Johannes Sammann.

Walk-through shops presenting all categories

Under the Heinemann Tax & Duty Free brand, the 430-square-metre departure shop and the 230-square-metre arrival shop offer mid- to premium level products in every category. Both feature a walk-through design and are supplied with products via the Sydney site and the company's logistics partner Mainfreight. They focus on spirits, wine, sparkling wine, perfume and cosmetics. They also pay



Marion Charlton (COO Gold Coast Airport) and Richard Goodman (Managing Director Heinemann Australia)

tribute to their Australian heritage with products such as a selection of local wines. What experiences from the Sydney location can this new operation at Gold Coast Airport learn from? *"As Australia's Gold Coast is primarily a holiday destination, its passenger profile varies considerably from that of Sydney. Our shops mainly welcome Australians and New Zealanders, so we have aligned our strategy accordingly,"* explains Johannes Sammann. *"The experience we gained with these customer groups and with walk-through shops at Sydney Airport help us, of course. The product range at Gold Coast Airport is therefore adapted to the smaller spaces and the passenger profile. We have also adopted the mechanisms that tell us whether the choices we make are working for these target groups."* As operations manager, Gavin de la Garde is responsible for both the new retail location and its 30-strong team. With his background as a store manager in Sydney, he has extensive knowledge of the Heinemann brand and the Australian Duty Free business.

Signalling commitment to Australia

Johannes Sammann summarises the first few months: *"It was an excellent launch in every respect. Our sales are right where we expected them to be, and there is clear potential for them to continue to grow. We are proud of our second location in Australia – it symbolises our commitment to the region."*



TOP PERFORMANCE IN DOWN UNDER

Knowledge of local markets is key to Sydney's success



“Sydney is our figurehead – a fantastic Duty Free shop that encourages passengers to buy and offers them an amazing customer experience. It is a highly professional organisation with an outstanding team behind it that reacts quickly and flexibly to new market conditions,” summarises Marvin von Plato, CEO of Heinemann Asia Pacific, looking back on a successful 2018 for Heinemann Tax & Duty Free at Sydney International Airport. The development of the Asian spirits category and expanded collaboration with the French luxury brand Dior over recent months demonstrate how local market knowledge and category management are making Heinemann a powerful operator at the airport in the Australian metropolis.

Expanding the Asian spirits segment

Asian spirits are trendy, not only in places frequented by many Chinese passengers. Demand is also coming from European customers and further afield. At Sydney Airport, Japanese whisky and gin and traditional high-proof Chinese Moutai, a spirit made from millet and wheat, are amongst the main drivers of the category. *“The range of Asian spirits we offer in Sydney is unique in the Heinemann world. It is a core category here and is developing quickly,”* says Johannes Sammann, COO of Heinemann Asia Pacific. He continues: *“The local purchasing team is responsible for stocking these items according to demand, and our category management here is excellent. The local team is constantly drawing on their operational experience. For example, we decided to invest in furniture construction when we saw that the category was not being displayed as effectively as it could be.”*

At more than 5,000 square metres, Heinemann has operated the world's largest stand-alone airport Duty Free shop since May 2016, in Sydney's



Johannes Sammann, COO Heinemann Asia Pacific

departure lounge. Richard Goodman, Managing Director Heinemann Australia, and his team have achieved excellent growth in their third year at this location, around 10 per cent more than in 2017. This is considerably ahead of passenger growth.

Maison Christian Dior pop-up boutique wows customers

One factor in this growth has been the Maison Christian Dior pop-up boutique, which from May to July brought a touch of French flair to international Terminal 1. Both the collection of perfumes, soaps and scented candles and the concept itself – the space was designed to look like a Parisian apartment – were exclusive to Heinemann in Asia and Australia. *“Exclusivity is a key success factor in travel retail, so we were certain that the pop-up boutique was the right way to go. Its success not only proved that we were right, but actually exceeded our expectations. We have therefore decided to work with Dior on a permanent implementation of the concept. We have opened up the perfume area towards our Fashion & Accessories concept to create a unique space for Maison Christian Dior, which in turn has increased footfall in Fashion & Accessories. This investment benefits us in multiple areas,”* explains Johannes Sammann.

“Category management is what has made Sydney so successful,” continues the COO. *“Incorporating feedback from the shop and knowing which products we want to have in the range and how to develop the various categories are all important. The demands we hear from the market must be passed on clearly to the Purchasing team.”* In Sydney, Heinemann Australia has its own Purchasing department that is almost completely responsible for sourcing products for the Australian market. Another Purchasing department for the Asia Pacific region is based at the regional headquarters in Singapore. In order to manage the growth in Heinemann's operations in the Asia Pacific region effectively in future, the next 24 months will see a transitional phase: the Purchasing departments will be reorganised so that goods that are relevant for the entire region will be sourced by the Singapore office via Heinemann Asia Pacific. Heinemann Australia in Sydney will remain responsible for sourcing products and brands specific to its region, and Category Management will also stay there. Local market knowledge is vital and the key to success at Sydney Airport.





THE PERFECT CANDYDATE

Sweet Dreams by Heinemann entices customers at Hong Kong International Airport



The eight Sweet Dreams by Heinemann shops in Terminal 1 at Hong Kong International Airport tempt travellers with more than 70 international confectionery brands and a colourful, eye-catching store design. The Hong Kong Airport Authority issued a tender for a confectionery shop as an independent category in the airport of the Asian metropolis for the first time in 2017. After winning the tender with its unusual Sweet Dreams by Heinemann proposal, Heinemann Asia Pacific opened its first two shops in December of the same year. A further six were built in record time during the first half of 2018, and by the start of July the company was ready to hold a grand opening for all eight shops.

Covering a total area of some 820 square metres, the new stores bring a whole new dimension to the confectionery category. Customers of all ages can now explore a variety of themed areas from space to a carnival to a hot air balloon, with attractions such as virtual reality experiences, games and a 3D chocolate printer providing fun and surprises.

Fine-tuning the product range

Johannes Sammann, COO Heinemann Asia Pacific, summarises the first few months since the launch: *“Victor Chan, General Manager of Heinemann Hong Kong, and his team have achieved great things here in collaboration with Heinemann Asia Pacific. This is our first single category shop and marks our debut in the highly competitive environment of Hong Kong International Airport. In the first few months, we focused on the supply chain and operations. Now we are starting the fine-tuning, particularly with regard to the product range. The Chinese are our strongest customer group, which makes premium brands all the more important for the shop. We therefore plan to make further adjustments to positioning over the course of the year, and perhaps bring in new brands that are not yet represented.*

We are very satisfied with the results of Sweet Dreams so far, and the feedback from the airport and suppliers is overwhelmingly positive. The most important thing though is that our customers are satisfied, and you can see that in the shop every day.”



Victor Chan, General Manager Heinemann Hong Kong



Victor Chan, Kitty Lo, Marvin von Plato, Cissy Chan, Alby Tsang and Johannes Sammann (from left)



LIBERTY AND HER SISTERS

Cruisers are the flagships for new markets



WAVE OF SUCCESS

Heinemann Americas increases sales on three ships of the Carnival Cruise Line

Heinemann Americas first set sail in the American cruise market one year ago. The North American subsidiary now operates a total of 1,000 square metres of shopping space across three Carnival Cruise Line ships – the Carnival Liberty, Fantasy and Ecstasy. It also manages the Sydney-based Carnival Spirit in collaboration with Heinemann Asia Pacific.

“The shipping company was a great support to us, helping us to expand our expertise as we took our first steps into the American cruise retail market. We have established an excellent working relationship,” says Nadine Heubel, CEO of Heinemann Americas. The renovation of the Carnival Liberty’s on-board shop demonstrates how well the two work together. It was a particularly challenging project as it was not carried out in dry dock, but in multiple phases during operation. Old furniture was removed and replaced with a new shop concept featuring a brighter design with tropical flair. The product range was also expanded in every category. The result: a literal flagship for Heinemann Americas in the New World.

Tasting bar, promotions, niche brands

For the Miami-based team, the learning curve was a little steeper than expected over the first six months of the year, particularly in terms of staffing, the product range and marketing activities. *“However, we still managed to exceed the sales figures of our predecessor on the ships and therefore achieve our objective,”*

says the Heinemann Americas CEO. *“This year is proof that our strategy of focusing on the customer is exactly right. Every market will be treated individually.”* American cruise ship passengers are very different to German ones. They clearly focus on price and attach importance to promotions, which should offer something new as frequently as possible. Almost 50 per cent of sales in the US market comes from alcohol, unlike in Germany, where fashion plays a major role. For this reason, the company decided to add a tasting bar on board the Carnival Liberty. Heinemann also offers its cruise ship customers a range of niche brands with which they may not yet be familiar.

Three Royal Caribbean cruise ships starting in 2020

The company’s crowning achievement of 2018 was winning the tender for three Royal Caribbean cruise ships in collaboration with Heinemann Asia Pacific.

The new venture is due to set sail in 2020. *“The marketplace concept will play a pivotal role here, as will creating new retail concepts tailored to cruise ships. We look forward to developing an innovative relationship that gives us space to try new things,”* says Nadine Heubel. She emphasises the importance of maintaining close contact with colleagues in Singapore across every level: *“Despite the 13-hour time difference, we have managed to work very closely together. Winning the Royal Caribbean tender reflects that.”*

Marvin von Plato, CEO of Heinemann Asia Pacific, agrees: *“This very close and effective working relationship within the Heinemann Group plays a vital role in enabling us to become the ideal partner for our global customers in the cruise industry. We are a partner that communicates clearly and precisely, works quickly and flexibly and takes regional customer needs into account.”*



Nadine Heubel, CEO Heinemann Americas



BRANDS AND TRENDS



FASHION *and* ACCES- SORIES



Modern shop looks for luxury shops



DEPARTMENT STORE BEFORE DEPARTURE

New multi-brand department store concept opens at Moscow Sheremetyevo Airport

The flair of an international department store was brought to an airport for the very first time in September 2018 when Imperial Duty Free (IDF) opened an impressive new shopping experience at Moscow Sheremetyevo Airport. The new Fashion & Accessories and Watches & Jewellery multi-brand concept developed by Gebr. Heinemann was recently unveiled in the newly converted Terminal E. Over the course of 2019, this new shopping experience will also be brought to passengers flying from other international airports.

After exiting the Main Duty Free shop, passengers now enter a 760-square-metre multi-brand shopping area, which boasts an open walk-through concept with a combination of three-wall mono-brand boutiques and a central area comprised of see-through units. A multi-brand watch boutique and a further 70 square metres of eye-catching sunglasses displays add a finishing touch to the store.

High-quality design framework and flexibility

“Together with our architectural department and the Berlin-based design agency Plajer & Franz, we have developed a powerful Heinemann structure, a high-quality design framework that makes the shop cohesive,” says Jan Richter, Director Purchasing Fashion & Accessories. The “diamond pattern” concept is inspired by the shape and structure of gemstones. Selected materials such as Italian terrazzo stone, white varnished oak, brass and white marble give the store design a powerful yet understated sense of luxury. *“The concept is inspired by the world’s greatest department stores,”* continues Jan Richter. *“We have succeeded in bringing this atmosphere and shopping experience to an airport for the very first time. It is a remarkable, pioneering development that our whole team has been working hard on over recent months. I am very impressed with the launch!”*

The concept allows larger international brands to present their products in their own displays in an environment that exudes a sense of exclusivity. At Moscow Sheremetyevo, the three-wall mono-brand boutiques are occupied by Ferragamo, Etro, MCM, Coach, Bulgari, Montblanc and Cartier. In the central area, brands in the see-through units include Tumi, Furla and Pinko. The brands positioned here benefit from excellent visibility, while the multi-brand area provides a large degree of flexibility to explore important trends and curate themes, making the area an ever-changing, exciting and surprising experience for customers.

High standards for service excellence and merchandising

This means that a new approach to trending themes is required, as Jan Richter explains: *“We have developed a monthly theming plan for this area. We purchase products especially for it to ensure that the overall look is always cohesive. This represents a new standard in terms of service and merchandising. It demands even greater quality and service excellence to ensure we amaze our customers and motivate them to make a purchase.”*

Concept impresses international brands and airport

The Director of Purchasing looks back on the first few months: *“It is a great success for us in that international brands want to be a part of this concept and are open to new ideas and approaches. It shows that we have created an attractive, high-quality design framework and that bringing the flair of a large, exclusive department store to an airport is both an innovative and compelling idea.”* And the numbers show that travellers feel the same way, with sales for the first few months already 30 per cent higher than for the same period of the previous year. Alexander Ponomarenko, Chairman of Moscow Sheremetyevo Airport, was so impressed with the new concept that he wrote a thank-you letter to Claus Heinemann. Following this successful launch, plans are now in place to roll out the concept to other international airports. The design framework and brands will be adapted to each location.

2019 roll-out

Once the shop conversions are completed at Moscow Domodedovo in the first quarter, a new 900-square-metre space will be given over to a department store concept covering Fashion & Accessories, Watches & Jewellery and Kids. Passengers will get to explore Fashion & Accessories brands from both the premium and affordable luxury segments including See by Chlo  , Coach, Furla and Tumi. The Men’s business unit will complement the selection with a range of men’s shirts, cufflinks and leather accessories. Domodedovo will also become home to the largest Heinemann highlight back wall in the sunglasses category. A completely new experience will also be created for children: a Kids concept with sweets, toys and fashion, together with furniture designed to look like toys. The idea is to turn toys into an experience for parents and children alike.

Plans are also in place to bring the new department store concept to other airports including Hamburg, Budapest, Mauritius and, in late 2019, the new Terminal C at Moscow Sheremetyevo.



MONO-BRAND NEW

Bottega Veneta, Saint Laurent and Gucci open boutiques at Frankfurt Airport

Early April saw the opening of the first Bottega Veneta shop in Zone Z (non-Schengen) at Frankfurt Airport. Across the 70-square-metre store, passengers can now find a selection of bags, small leather goods, belts, jewellery, foulards, scarves and sunglasses for men and women. Building on the traditional techniques of Italian master leatherworkers, the company has become one of the world's most renowned luxury brands. Its unusual leather goods and patented Intrecciato leather weaving technique are unmistakable. Bottega Veneta, with whom Gebr. Heinemann is currently expanding its partnership, has been part of the France-based Kering Group since 2001.

“Part of our strategy for the Fashion & Accessories category involves strengthening our relationships with leading luxury brands, as this will enable us to expand our portfolio within the luxury segment,” explains Jan Richter, Director Purchasing Fashion & Accessories at Gebr. Heinemann. *“The Kering Group is one of our global strategic partners for this. The company is one of the top five luxury brand groups in the world, and still has a great deal of potential in travel retail, which is why we want to roll out its brands across the globe.”*



The opening of the Bottega Veneta shop marks the first milestone in this project. *“The results we have achieved with the new mono-brand boutique reflect the excellent teamwork of all those involved at Gebr. Heinemann and FAR,”* says Georg Fuhrmann, Managing Director, Frankfurt Airport Retail (FAR). *“The airport itself was also incredibly supportive.”*

Two further boutiques are set to land near the Bottega Veneta shop following its launch at Frankfurt Airport: Saint Laurent and Gucci will open in the second quarter of 2019.

MOBILE PAYMENTS FOR CHINESE CUSTOMERS

Frankfurt Airport Retail brings Alipay and WeChat Pay to airport shops

Since September 2018, passengers at Frankfurt Airport have been able to use China's two most popular payment applications, Alipay and WeChat Pay, to pay for goods at around 100 checkouts in 28 shops operated by Frankfurt Airport Retail (FAR). The move enables FAR, a joint venture between Gebr. Heinemann and the airport operator Fraport AG, to offer a smooth shopping experience to predominately young and discerning Chinese customers. It is a great advantage for these Chinese tourists, known for their high purchasing power, to be able to pay with their preferred mobile solutions as they would at home, without exchanging currency. FAR uses payment service provider Wirecard's app to integrate Alipay and WeChat Pay into its checkout systems.

From day one, the solution has proven very popular with Chinese travellers, who represent a key customer target group for FAR. The retailer also uses the new payment options to offer customers incentives in the form of discounts and extras. Following this successful launch at Frankfurt Airport, the mobile payment solution is set to roll out to Heinemann shops at twelve further European airports before being introduced worldwide.



WATCHES *and* JEWEL- LERY



Timeless trends for the highest demands

ALL-EXCLUSIVE

Exclusive new multi-brand concept for watches and jewellery at Istanbul Airport

Shining bright like a diamond: Gebr. Heinemann recently opened a new multi-brand luxury watches and jewellery store at Istanbul Airport in collaboration with its Turkish joint venture partner ATÜ. The new concept, with its unique atmosphere and excellent customer service, is set to be rolled out to other airports around the world in the coming months.

When it comes to selling luxury watches, the atmosphere, service and emotions are key factors. But these factors, which are an essential part of the shopping experience at jewellers and high-quality specialist retailers in city centres, have been distinctly lacking in this segment at international airports. This was the result of a comprehensive market analysis that two years ago became the starting point for Olaf Benjamin, Director Purchasing Watches & Jewellery at Gebr. Heinemann, and his team to use to develop a completely new concept. *“We sell a luxurious dream that recurs every time you look at your own watch. We therefore wanted to bring the storytelling our customers are used to seeing at traditional city centre stores into airports, and hope to even exceed it going forward,”* explains Olaf Benjamin. *“The manner in which the premium components of a wide selection, exclusive customer service and unique atmosphere all come together allows customers to experience the dream of luxury even at an airport, where everything is normally driven by efficiency.”*

“Luxury Time Pieces” at Istanbul Airport

The “Luxury Time Pieces” multi-brand concept store opened in a generous 415-square-metre space at Istanbul Airport in the first quarter of 2019. The airport’s sole luxury watch shop uses sophisticated marble materials, wood and stone to create strong accents and elegant contrasts that cement themselves in customers’ minds. There are 22 luxury brands for sale within the new store.

Shaped like a watch mechanism or a ring, the store provides a flowing transition between the custom rear walls for the individual brands. The custom brand furniture is integrated into Gebr. Heinemann’s clear architectural framework. In a separate VIP lounge, customers can talk to advisers undisturbed over a glass of champagne and enjoy the unique shopping experience. If they want to have a watch strap shortened or replaced, this can be done on-site in the repair shop, a small workshop in the back office.

Luxury watches are emotional products

“Good, attentive advice is a critical factor when it comes to buying an expensive watch,” explains Olaf Benjamin. *“We seek to exceed our customers’ expectations with highly trained advisers. We focus not only on giving the team the necessary technical knowledge, but also on educating them on the emotional side of the process. It is essential for them to be able to present the watches and jewellery perfectly when they talk to customers. People should be able to appreciate the products with all of their senses, see and experience how it feels to wear the watch on their wrist. Often, they will pass them on to the next generation in their family, so lasting quality is another important factor. This makes them something truly special.”*



With prices ranging from 350 euros to over 30,000 euros, “Luxury Time Pieces” offers luxury watch and jewellery brands that are famous the world over in addition to all the brands that are important to the Turkish market. As well as IWC, Jaeger-LeCoultre and Hublot, with whom Gebr. Heinemann already has a long-standing relationship, the shop also includes products from world-famous watchmakers like Girard-Perregaux (one of the oldest Swiss watch manufacturers), Ulysse Nardin and the Italian manufacturer Officine Panerai, all for the very first time. The latter of these is still developing its presence in travel retail; its striking models have been harder to find in the sector until now. The exquisite watches and jewellery of Chanel and collections from Piaget and Chopard are also making their debuts in the shop.

Heinemann is a strategic partner for the luxury segment in travel retail

The new multi-brand concept has encouraged international luxury brands and watch manufacturers to make the leap to the travel retail market. *“We have created a shop with a big impact that offers brands a high-quality stage on which to present themselves, and meets their demand for expert customer service. This is a benchmark for the next step in this category in travel retail – and manufacturers are recognising that. As a result, Heinemann is now the key strategic partner in the luxury segment for top global brands,”* says Olaf Benjamin.

Following the launch of “Luxury Time Pieces”, the multi-brand concept is now set to be rolled out to further airports. The shop size and range of brands will be adapted to each individual location. For example, an opening is planned for the new Terminal C1 at Moscow Sheremetyevo at the end of 2019.



LIQUOR, TOBACCO, CONFECTION- ERY *and* FINE FOOD



The latest trends from the world of culinary delights

GIN-GIN SITUATION

Craft gin, the trendy spirit, inspires more and more travellers

“Four years ago, there were eleven gin brands in the Heinemann range. Today, there are more than 50. And that number is only going to grow. Gin continues to be a massive trend,” says Laura Kramer, Head of Buying Spirits at Gebr. Heinemann. The company recorded double-digit sales growth in this category in both retail and distribution in 2018. Innovation in the gin market is causing a real boom, and craft gin in particular is encouraging demand.

In addition to classics like Hendrick's and Bombay Sapphire, handmade spirits from small, high-quality distilleries have established a large presence within the range and in the shopping baskets of Heinemann customers. Laura Kramer explains: *“Customers are open to new things and are consciously seeking them out. Many have a large range of brands at home. The bar scene is also powering the trend. Demand for local gins is strong. Quality, heritage, flavour profiles and, of course, bottle design are all important elements in this category.”* This was evident during a Gin Sul promotion that took place in the Heinemann Duty



Free shop at Hamburg Airport in September and October 2018. This gin, manufactured in Hamburg but with Portuguese roots, was the bestselling spirit at the store in 2018, with sales during the promotional period reaching double the previous figures. Travellers were able to participate in tastings and purchase a limited-edition bottle.

Craftsmanship, quality and storytelling

Attention to detail, premium quality and creativity abound amongst manufacturers in the craft gin market. Their intricately designed bottles are filled with spirits made from selected, hand-picked ingredients. But another crucial component for the sector is storytelling.

Gin Sul, which is produced using handmade distillery equipment in the Hamburg borough of Altona, contains organic juniper and fresh rosemary blended with ingredients such as lemons from the western Algarve in Portugal. This explains the “Saudade distilled in Hamburg” slogan on the white clay bottles, which also feature the brand lettering screen-printed next to the image of a passenger ferry like those often found in the ports of Hamburg and Lisbon. As an aside, “saudade” is a hard-to-translate Portuguese term meaning a sense of longing and melancholy.



Many of the botanicals (plant extracts) found in Berliner Brandstifter gin are grown in the company's own garden on a local farm. The addition of woodruff provides the spirit with a hint of a “typical” city flavour.



Norwegian craft gins such as Bareksten Botanical and Harahorn use berries and herbs grown in the harsh Scandinavian environment. They also celebrate their heritage in their design: Bareksten's black bottles feature stylised trees, while Harahorn depicts its namesake, a mythical horned hare.

The trend towards Asian spirits is also clear in the gin category, with the Japanese craft gin Roku being just one example. It contains six Japanese botanicals, including sakura leaves and sencha tea, and comes in hexagonal bottles – Roku means “six” in Japanese.

Experimental customers and impulse buys

“Craft gin with a unique bottle design can be an impulse buy: customers choose it on the spur of the moment because they are interested in a brand they haven't seen before, or they might buy it as a gift,” says Laura Kramer. “Gin lovers enjoy experimenting – there is lots of movement within the category, as well as plenty of new flavours. Flavoured gin is a growing trend.” One example of this is a handcrafted gin by Whitley Neill that blends aromas of rhubarb and ginger inside a glowing, fuchsia-coloured bottle. The numerous innovations, the creativity of the craft gin manufacturers and the versatility of the juniper-based spirit have opened up new customer groups for the gin category in travel retail, and will continue to see further growth going forward.

“BLESSED WITH WILDNESS”

Talon's Select Blended Malt: exclusive whisky from Gebr. Heinemann

Gebr. Heinemann's growing global market share makes it increasingly interesting for the travel retailer to develop private label products. Exclusive products, which are available only in the Heinemann Duty Free shops and those operated by the company's distribution customers, give it a free hand in terms of quality, pricing and marketing. The LTCF Purchasing team at Gebr. Heinemann brought Royal Park, its first own-brand whisky, to market in 2016. To date, 900,000 bottles have been sold. The company's second private label whisky, Talon's Select, is now set to launch in spring 2019. This new whisky represents the company's response to market demand and has broadened its expertise in the private label development process.

Vertically integrated value chain

It started with Royal Park, a blended Scotch whisky boasting a 40 per cent alcohol content and a sensational price for travel retail. “We wanted to introduce an own-brand whisky at an entry-level price point, so we worked from the prices charged by discount supermarkets in Germany. That was 10 euros for a 0.7 litre bottle of blended Scotch. We wanted to achieve that in travel retail too,” recalls Rüdiger Stelkens, Director Purchasing LTCF at Gebr. Heinemann. The next step was for the Purchasing team to find a Scottish distillery that produces whiskies for own brands. This led to the creation of Royal Park, which proved



to be very successful at a retail price of 12.90 euros for a one-litre bottle. Demand for a whisky at this price point in airports and border shops was huge. Today, the product is offered across the board in the Heinemann Duty Free shops and among global distribution customers. *“The attractive thing about creating a private label product is that we hold all the links in the value chain,”* says Rüdiger Stelkens. *“This makes us independent from suppliers’ offerings. We can determine the quality, the design of the bottle and the brand ourselves. Furthermore, we have flexibility in the pricing because this brand doesn’t exist on the domestic market.”* Private label brands also offer interesting aspects for Gebr. Heinemann in terms of distribution. They enable the company to pass on the greatest possible margin to its B2B customers. Another benefit is that there are no restrictions on distribution rights because Gebr. Heinemann owns the brand. Rüdiger Stelkens continues: *“It’s also a great service for our distribution customers because they get an exclusive product from us.”*

Talon’s Select: young, modern, high-quality

In the wake of this first successful launch, the project team decided to bring another whisky to market themselves; this time a blended malt Scotch at a mid-level price point of 30 euros. Corresponding demand existed in the travel retail market. The experience gained in creating and marketing Royal Park was put to good use and enabled the new brand to be developed with even greater precision. Yvonne Weißhorn, Project Manager, Category Development, explains: *“We had learnt that we have to develop separate job roles to take responsibility for our private labels – in Category Development, in Purchasing and at Terrahe, our advertising agency. And we wanted to optimise the process of brand creation. So all of the relevant departments in the company were involved from the outset – from Sales and Controlling to Business Compliance and Marketing.”*



In addition to the price segment, the team also clearly defined the target group for the new whisky. They wanted it to be a modern, trendy product that would be easily accessible for consumers, particularly young people starting out with whisky, female fans and millennials who, as globally mobile, well-informed young consumers, are always on the lookout for something new and unique. The team worked with Gebr. Heinemann's own whisky experts to select both the best product from a number of samples provided by the Scottish distillery as well as a suitable bottle design. The new product now had a name and a shape, but no face. This was where the in-house advertising agency Terrahe came in; a subsidiary of Gebr. Heinemann and a specialist in the global travel retail market for more than 30 years. The agency was tasked with developing the creative concept and design for the Talon's Select brand.

An attractive, independent brand

The first stage was to design several labels, from which one was finally chosen as the winner. *"We took the decision as a committee comprising representatives from Sales, Marketing, Purchasing and, of course, Terrahe,"* explains Yvonne Weißhorn. The result was a modern illustration of an eagle's head on a dark background. The face of the brand, this high-quality, striking image, was born. Jan Heuseler, Account Director Corporate at Terrahe, says: *"The label is vital to the customer's first impression, especially in a market as competitive as that of spirits. The design we developed is very independent and that provides the necessary differentiation from competing products."*

But a label alone does not make a brand; now the challenge was to breathe life into the product. *"To make the unique character of the whisky tangible for customers, we also developed a brand story,"* continues Jan Heuseler. The eye-catching brand launch was completed with the slogan "Blessed with wildness" and an advertising campaign featuring animals that are typically eagles' prey wearing raptor masks. Other departments at Gebr. Heinemann that are also involved in the 360-degree communications blitz for the launch include POS and Online Marketing, the training teams in Distribution, Activity Management and Corporate Communications.

Talon's Select competes as an autonomous brand; no reference is made to Gebr. Heinemann. Business Compliance was responsible for registering the name as a trademark. It also coordinates quality management together with the independent certification company Bureau Veritas.



THE POWER OF TOBACCO

The new e-cigarettes from IQOS

Branding and retail display bans, the plain packaging laws many countries have implemented to make brands indistinguishable from one another, and a growing interest in alternatives to traditional cigarettes have prompted tobacco manufacturers to focus their research and development in other areas. The result: NGPs, or next generation products. One area many companies are currently looking into is “Heat not Burn” solutions, such as the IQOS from Philip Morris International. Gebr. Heinemann affiliate Frankfurt Airport Retail teamed up with Philip Morris to open an IQOS flagship store – the first in travel retail – at Frankfurt Airport’s Terminal Z-Main in December 2018 to coincide with the launch of the IQOS 3.0 and IQOS 3.0 Multi.

The new shop mirrors the premium lifestyle design of the IQOS boutiques in domestic markets. *“Heinemann Duty Free is a showcase for brands, and with the IQOS boutique, we are once again proving our strength in capturing the latest trends in the traditional tobacco category,”* says Niels Altmann, Head of Buying Tobacco at Gebr. Heinemann.



Niels Altmann, Head of Buying Tobacco

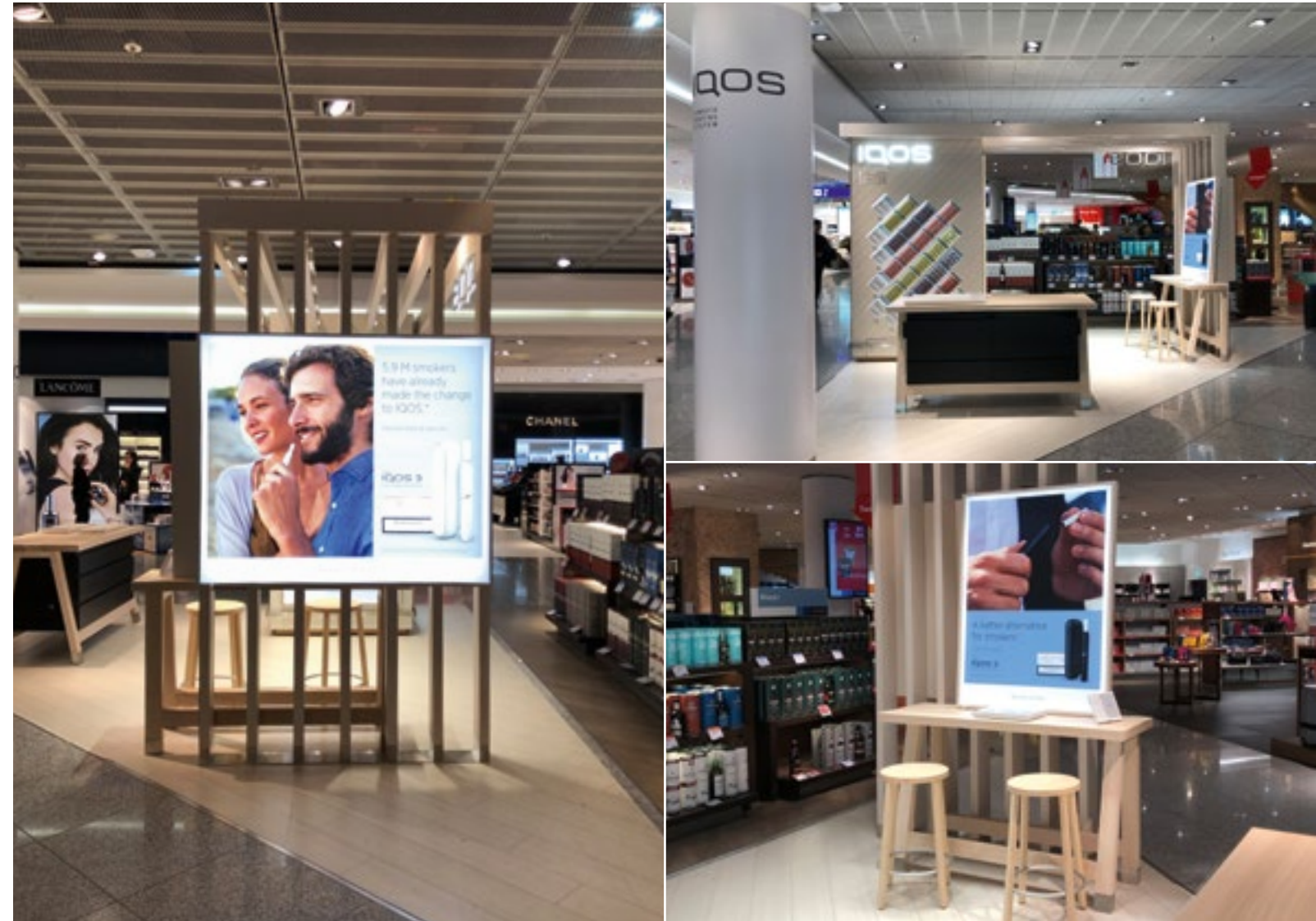
IQOS flagship store at Frankfurt Airport

Philip Morris’ electronic cigarette alternative works by inserting tobacco sticks called “Heets” into a holder, where they are heated to 350 degrees so that the nicotine is released through steam rather than through smoke. According to the manufacturer, this means that they emit up to 95 per cent fewer harmful substances than traditional cigarettes that burn the tobacco at up to 800 degrees. The IQOS comes with a rechargeable battery and charging kit, and is available in a wide range of customisable models with a distinctively sophisticated, compact design. The flagship store at Frankfurt Airport not only offers the devices themselves, but also accessories and Heets containing a variety of tobacco blends. The tobacco the company uses for the Heets is a pipe tobacco and can be declared as such at customs, meaning that the amount passengers can carry is larger than for cigarettes. *“We began to introduce the IQOS into our range in May 2018 and currently sell the brand in eleven locations including Sheremetyevo and Domodedovo in Moscow,*

Berlin, Hamburg, Amsterdam, South Africa, and now in the IQOS boutique in Frankfurt,” says Niels Altmann. The device itself costs 109 euros, with sticks priced at 45 euros per box of 200. *“The Heets are available everywhere, but the devices can only be purchased at locations where we can give the customers the appropriate level of service,”* continues Niels Altmann. *“This is important because a tobacco heater is an electronic device, and so our staff are often asked how to use them and for information on global warranties and services.”*

STILL A NEW MARKET

And how does the Head of Buying view the role that NGPs will play in the Duty Free tobacco range going forward? *“It’s still a new market. Japan and Korea are trailblazers here, but it is still more of a niche product in Europe. To ensure that the market continues to grow, we need to have more innovation coming out of the industry. We are constantly looking at new product concepts, from ‘Heat not Burn’ to e-cigarettes and chewing tobacco, and deciding which are relevant to us, like GLO, JUUL, Ploom Tech and Blu. Overall, tobacco still continues to be one of the core categories for Heinemann in travel retail as it is a traditional Duty Free product that offers a price advantage compared to buying domestically. One in four passengers in our shops wants to buy tobacco. And when they go into a Heinemann Duty Free shop, they normally end up making purchases in other categories, too”,* concludes Niels Altmann.



HEALTH ANGELS

Healthy snacks, new in the Confectionery & Fine Food range

Awareness of the need for healthier treats is increasing – and not just amongst the growing millennial customer base. The healthy snacking business grew to more than 6 billion euros in Europe in 2017. Many people are paying attention to their nutrition, in tandem with their personal lifestyles and their desire to be the best they can be. For some 58 percent of global consumers, this involves focusing on consuming natural ingredients. To help customers satisfy this need even when travelling, Heinemann launched a new Healthy Snacks test category in 2018.

The range of healthy snacks available to travellers has traditionally been very limited, particularly at the airport, with a healthy “snack on the go” almost impossible to find. For this reason, and to satisfy growing demand and changing customer needs, the Purchasing team was tasked with developing the company’s first healthy snack range. *“It was important for us to work with suppliers whose products contain unprocessed, nutrient-rich ingredients and no refined sugar or chocolate,”* explains Anne Keller, Head of Buying Confectionery, Fine Food & Regionals at Gebr. Heinemann. Testing of the new products began in July 2018 in the recently converted Tax Free Heinemann shop at Copenhagen Airport. They proved to be a great success and have since been rolled out to the airports in Amsterdam, Budapest, Frankfurt and Vienna.

Modern design, healthy ingredients

The current range includes paleo and protein bars by The Primal Pantry, granola bites from Merba, coconut-based cookies and vegetable crisps by The Beginnings and vitamin shots from Organic Human. Many of these are also suitable for vegan and paleo diets. *“It was important to us that all of the products represented healthy alternatives to traditional snacks. Most of them are also produced by small companies by hand, are vegan and feature a minimal and modern packaging design,”* says Karoline Schlick, Senior Buyer Fine Food & Regionals. To advertise the new healthy snacks within the shop, the Visual Merchandising team at Gebr. Heinemann worked with Purchasing to develop a concept based around natural colours and plant elements to tie in with the idea behind the range. The green colour scheme and the “healthy choice for travelling” slogan highlight the concept to customers in-store. In order to make the team’s test results as reliable as possible, the new product group was positioned in a highly-visible area close to the tills and along the aisles, as Karoline Schlick explains: *“Customers were not expecting to find these products in our stores and were not seeking them out, but were delighted to find a healthy alternative to a traditional chocolate bar. We can therefore say that they are pure impulse purchases and so represent additional income for Gebr. Heinemann. From a vitamin shot after a stressful day to a healthy, filling treat for the journey ahead, we want to offer customers products that fit their individual lifestyles.”*



Anne Keller, Head of Buying Confectionery, Fine Food & Regionals

Outlook

Following its successful launch, the new Healthy Snacks category is set to be expanded over the coming months, according to Anne Keller: *“In the first quarter of 2019, we will be taking our next step with new suppliers and products such as nutritional supplements from Foodspring, a company that specialises in fitness food and sports nutrition. With this ‘healthy’ range, we can react quickly to changing customer needs and rapidly analyse initial test results. Plus, it will not eat into profits from the existing range; instead, the new category complements it.”*

A REALLY COOL TASTE

Chilled Fine Food with a local connection on the increase

Product range optimisation and synergies within the company saw sales in the Fine Food category rise by some 15 per cent in retail and by more than 20 per cent for distribution customers in 2018. The category achieved a retail volume of more than 40 million euros for the year. *“Alongside the traditional Duty Free product groups, Fine Food gives us the opportunity to surprise customers with our range of products and so generate additional sales at attractive margins. The diverse range and attractive price points appeal to a variety of customer needs and enable us to take advantage of cross-category potential,”*

explains Karoline Schlick, Senior Buyer Fine Food & Regionals.

Fine Food benefits from emotional and prominent positioning within the shops as it is not a “learned” core category within Duty Free. Attractive experiences can be created which provide passengers with incentives to buy. One recent example of this was a Fine Food display with strong visual merchandising elements at the Tax Free Heinemann shop at Copenhagen Airport in summer 2018.



Karoline Schlick,
Senior Buyer Fine Food & Regionals

Chilled Fine Food segment

At some Heinemann Duty Free locations, passengers can also find chilled delicacies. At airports like Bologna, Vienna, Frankfurt and Budapest, these areas offer speciality cheeses such as Parmesan and Hungarian goat cheese, sausages, pasta and Sachertorte chocolate cake. This segment of the Fine Food category is set to grow. *“We see huge sales potential for chilled products at other locations,”* says Anne Keller, Head of Buying Confectionery, Fine Food & Regionals at Gebr. Heinemann. *“In comparison to our international competition, Gebr. Heinemann still has a lot of untapped potential here. We envisage starting with the product groups of caviar and salmon, which are already very popular at our Russian locations and joint ventures.”*

Karoline Schlick continues: *“We plan to introduce our new refrigeration units in Hamburg and Frankfurt in the first quarter of 2019 and will closely monitor and adapt the range gradually from there.”*

Development into a core category

“We have achieved a lot over the past few years in terms of space, knowledge and efficiency, and Fine Food is now developing into a core category for Heinemann,” adds Anne Keller. *“It has a depth of products, including many that are bought as gifts, and an attractive margin structure.”*

Gebr. Heinemann was one of the first companies in international travel retail to introduce the category of Fine Food in 2011, and has developed it continually since then. The company aims to provide an excellent range of products with surprising components which reflect the trend of conscious consumption of high-quality foods. Beyond traditional Fine Food products and the focus on gift items, the goal is to send customers on a culinary adventure and to generate additional sales through an inspiring selection.



PERFUME *and* COS- METICS

+

A glance into the future of beauty

BEAUTIFUL THINKING

Reinventing beauty: the Perfume & Cosmetics category develops totally new market strategies

Make-up tutorials and augmented reality for younger target groups, luxury commercial niche brands for a discerning clientele, beauty-to-go for impulse shoppers, and indie brands developed by influencers and celebrities for social media-loving consumers – Gebr. Heinemann has launched its new strategy for the Perfume & Cosmetics category. And this in turn has led to a cross-departmental project involving Purchasing, Sales and Architecture. Named “Re-think Beauty,” the product group strategy will see the development of a new and innovative category concept covering design, communication, service and the product portfolio.

“The perfume and cosmetics market is changing. It has become much more dynamic and customer needs are more complex – from price-sensitive or luxury-oriented customers to those who want sustainable, certified organic products. Their appetite for something new is growing too, with more and more brands entering the market. Also the range of digital touchpoints we now have with customers is driving change,” says Britta Hoffmann, Director Purchasing Perfume & Cosmetics. *“Now is the time for Gebr. Heinemann to further develop this product group within travel retail. The category is, as ever, a growth driver for us. And 2018 saw us begin developing it for the next generation of consumers with this comfortable position as our starting point.”*

LookLab in Copenhagen: Make-up for millennials

Heinemann's LookLab concept in the renovated Tax Free main shop at Copenhagen Airport's Terminal 2 was specifically designed to appeal to a younger female target group. This completely new way of presenting the growth category of make-up was unveiled in a separate area of the shop in April 2018. The LookLab combines modern products and brands with an innovative store layout, specially designed furniture and digital elements to make the product group more tangible than ever before. Travellers can watch make-up tutorials and try out these looks on the spot using a Magic Mirror with augmented reality technology. On a large, interactive screen, they can take selfies in front of a variety of backgrounds, creating “Instagrammable moments” and social media buzz. Images and videos from the photo booth can also be uploaded to a digital “whirlwind” – 64 LED screens that hover above the shop from a structure in the ceiling – enabling the customer to interact directly with the LookLab and put their own stamp on its design. The product range too is specially tailored to the younger target group. The LookLab launched with Dior Backstage, bareMinerals, Make Up For Ever and Stila – a selection that represents an expansion to the Heinemann portfolio of cosmetics brands. Two further brands, Too Faced and Becca, have since been added to give the LookLab an exciting, representative range for this younger target group. Services such as consulting and styling with highly-trained staff, and custom engraving of make-up palettes and perfume bottles from a minimum purchase price of 50 euros, complete a unique shopping experience.

“The LookLab in Copenhagen is a prototype that enables us to surprise our customers and offer them something they won't find at any other airport,” says Britta Hoffmann. *“The presentation and digital content, especially the photo booth, have been very well received. We have very high standards for the concept and have continued working on further developments since its launch, including providing in-depth training for staff. We have also expanded the portfolio of brands and products available, and have had a full range in store since the start of 2019. Following comprehensive testing and performance measurement in Copenhagen, we will assess whether to roll the LookLab out to other locations in 2020.”*



Commercial niche fragrances: high-quality and customised

More and more customers are looking for their ultimate, unique “signature fragrance,” a scent that suits them perfectly. A discerning, knowledgeable customer base has discovered commercial niche fragrances – individual, innovative and high-quality perfume brands. These products are listed at a considerably higher average price point and are stocked selectively in the world’s luxury domestic department stores. Heinemann already has brands such as Kilian and Amouage in its portfolio at selected locations, and in 2018, the company began preparations to expand the range and its associated presentation models. Britta Hoffmann explains: *“We want to appeal to these discerning customers in the markets in which they are best represented and offer them high-quality, surprising products at the airport – products they would otherwise only find in selected domestic department stores. In doing this, Heinemann is creating a further unique selling point over its competition both domestically and online. We have developed a special design and new areas to display these niche fragrances. They will be launched at Istanbul Airport in 2019, followed by the new Terminal C at Moscow Sheremetyevo in the autumn. We see a lot of potential in Russia and Istanbul.”* New brands being added to the Heinemann range include Byredo by the eponymous Stockholm label famous for combining Scandinavian minimalism with Indian influences, and Atkinsons, the traditional English brand founded in 1799 before being relaunched in 2013.

Beauty to go: impulse and convenience

Following a successful test period at Tax Free Heinemann in Copenhagen Airport, the “Beauty to go” concept is now set to be developed into a full range in 2019. Smaller versions of make-up and skincare products are displayed on specially designed furniture. The range includes 34 skincare products, from shower gel to haircare, and 18 make-up products such as mascara. The mini sizes appeal to customers as they can fit easily into their hand luggage and they enable them to spontaneously try out a new product. The product group is driven by impulse and short term needs-based purchasing, and therefore represents an attractive addition to the range.



On trend: from indie brands to conscious beauty

“In future, we want to be able to test, negotiate with and bring new brands into the range more quickly. The Perfume & Cosmetics category is becoming increasingly dynamic with more and more new brands attracting a lot of customer attention. We were very active in responding to this demand in 2018,” says Britta Hoffmann.

So what are the key trends in the category today? *“In terms of care products, it’s luxury skincare, beloved by travellers from Asia. At the airports they use most heavily, every luxury brand recorded a growth in sales in 2018. Innovations in the skincare area include the Ampoule Concentrates range by Babor, known for their highly-concentrated active ingredients and luxurious packaging, which we added to the range this year, and the facial care products by Dr Barbara Sturm, which we plan to launch in 2019,”* says the Director of Purchasing. *“We see both skincare with natural ingredients and vegan products, manufactured transparently and sustainably by small companies, as a clear growth market and an excellent addition to the Perfume & Cosmetics category going forward. Demand for these products is high, especially from younger customers.”* Gebr. Heinemann’s Purchasing department has already started development of this new sub-segment with a project entitled “Conscious Beauty.” 2019 will see Heinemann bring in products from Ecooking of Denmark, Swedish natural cosmetics label L:A Bruket and Power Balm by the Kind Planet Company in England.

There is also strong demand in the haircare area, particularly for vegan and organic products and professional salon brands.



In perfumes, niche brands remain a trend. And in make-up, 2019 will see not only the “Beauty to go” minis playing a key role, but also indie brands. These are young, independent, owner-operated labels that are often started by influencers and celebrities. They are normally sold online and advertised via social media and so become highly recognisable to a younger target group very quickly. They are rarely found in domestic shops. “We want to capture the trend and offer them at Heinemann stores in airports,” says Britta Hoffmann. “This is a challenge because on the one hand, as a travel retailer, we have to react quickly as these brands become popular and in demand very quickly. On the other, they are fairly small, so they lack a comprehensive sales infrastructure – things like processes and the necessary certificates. So we have to find the indie brands that are ready for travel retail.”



POS

TURNS INTO POINT OF SURPRISE

Creating special moments for customers

Gebr. Heinemann Activity Management brings brands to life by developing emotional and attention-grabbing promotions that compel travellers to stop, marvel and shop – in both Heinemann Duty Free Shops and those of its distribution customers. These promotions surprise customers with special products and innovative presentations that they would never have expected to find at an airport. And their reach extends far beyond the POS, for example through interactive elements such as selfie campaigns or competitions that continue in social media.

Ann-Kathrin Furer, Head of Activity Management LTCF at Gebr. Heinemann, explains: “Our goal is to create special customer experiences and stimulate the desire to make a purchase with our promotions. In 2018 we once again inspired travellers with fantastic interactive and exclusive promotions in the areas of entertainment, multisensory experience and customer engagement.”

For example, before departing, passengers could take part in the Boss Bottled United promotion with a virtual reality goal-shooting game or a table football match, catch scented vapour droplets in a miniature version of Bombay Sapphire's iconic glass-house distillery, or take a seat in a replica of a Hamburg Barber Shop. Katja Diehr, Head of Activity Management P&C, F&A, W&J, is aware of many new surprises awaiting travellers in the coming months: “The customer will remain our central focus in 2019. Together with our partners, we develop unique concepts with relevant services such as product personalization and consulting as well as intriguing ‘traffic stoppers’ created with atmospheric designs and exciting gamifications, i.e. the integration of playful elements.”



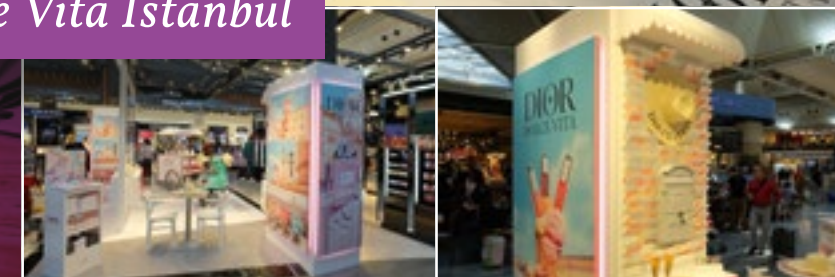
Chanel Xmas Istanbul



In Christmas 2018, the legendary Chanel N° 5 fragrance was launched as a limited edition in a different bottle – for the first time since its launch in 1921. And so Chanel N° 5 Red presented itself at Istanbul Atatürk Airport in December in a beautiful, lavish promotion – all in red, in keeping with both the limited edition and the holidays, and rounded off by services such as gift packaging and the opportunity to send Christmas cards directly from the shop.



Dior – Dolce Vita Istanbul

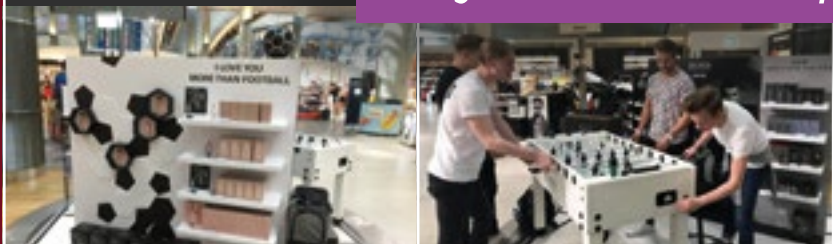


Arriving at the ice cream café by Vespa on a warm summer's day in Italy – air travellers at Istanbul's Atatürk Airport got to experience the ultimate holiday feeling. On the "Dior Dolce Vita" stage, with its sunny pastel shades, special Dior Vespas stood alongside straw hats, awnings and Mediterranean photo motifs. In addition to an exclusive selection of perfumes and cosmetics from Dior, perfumed postcards and blotting paper in a special ice cream design were also on offer.





Hugo Boss World Cup Roadshow



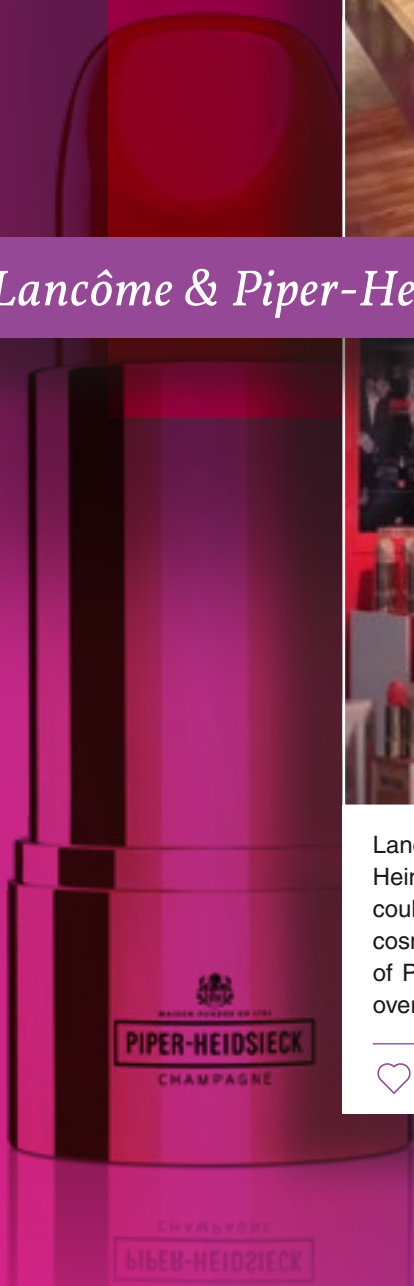
In June and July 2018, goal celebrations could be heard in many Heinemann Duty Free shops and in the stores of its distribution customers: on the occasion of the Football World Cup, the new men's fragrance Boss Bottled United celebrated its launch in travel retail. Table football games and virtual reality goal-shooting provided a World Cup atmosphere.



Lancôme & Piper-Heidsieck Cross Promotion



Lancôme and Piper-Heidsieck met for a sparkling rendezvous in the Heinemann Duty Free shops. In a seductive cross-promotion, customers could discover face care products and make-up from the luxurious French cosmetics brand as well as the Piper-Heidsieck Lipstick Edition – a bottle of Piper-Heidsieck Cuvée Brut, presented in a cool box shaped like an oversized luxury lipstick.





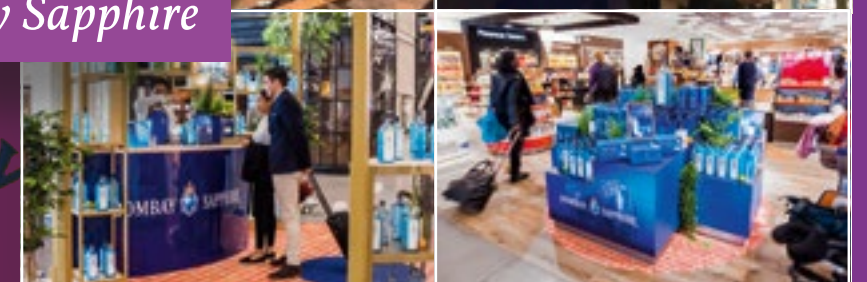
Absolut Vodka



The bottle design of Pernod Ricard's "Absolut Vodka" travel retail-exclusive edition "Absolut World" was designed by Swedish illustrator Kari Modén and stands for worldwide solidarity amongst all people. This idea was taken up by the promotion at Frankfurt Airport: displays in the shop reflected the design's artistic and colourful motifs, and the "Global Selfie Campaign" allowed travellers to upload photos of themselves and their personal tips for hotspots in their favourite city to a special website. These recommendations could then be seen on 69 digital screens across the airport – wherever a flight took off for the respective destination.



Bombay Sapphire



Bacardi Global Travel Retail and Gebr. Heinemann delivered a true experience for all the senses at Amsterdam Airport Schiphol. Travellers were transported to a replica of the rural surroundings of Bombay Sapphire's famous glasshouse distillery in Laverstoke Mill, England by the twittering of birds and the sound of water. They could also catch scented vapour droplets that released notes of citrus, flowers and spices, taken from the taste profile of the gin, and were able to try innovative gin and tonic mixes at a bar.





Jura – “A long way from ordinary”



The Scottish island of Jura can only be reached by a small ferry. It has 200 inhabitants, a hotel, a school – and a whisky distillery, which belongs to the Whyte & Mackay Group. On the occasion of the launch of the new Jura Whisky collection for travel retail, and together with Gebr. Heinemann, in summer 2018 the company launched an attention-grabbing promotion at the airports in Amsterdam, Hamburg and Frankfurt. In the Heinemann Duty Free Shop in Hamburg, for example, guests could find a fishing boat and many nautical props. Passengers could sample the whisky collection and take part in games and a raffle.



Welcome to Hamburg



With “Welcome to Hamburg,” Heinemann made it possible to experience everything that locals and visitors love about the port city at the airport. In the main shop at Hamburg Airport, this “local sense” was made visible all over as a modern maritime look and feel. The main stage captured the atmosphere of cool beach clubs on the Elbe River, while also presenting locally produced Gin Sul to passengers. The 360-degree promotion was accompanied by digital and print mailings as well as social media.



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